

Elmwood-St. Joseph Municipal Cemetery

CITY OF MASON CITY, IOWA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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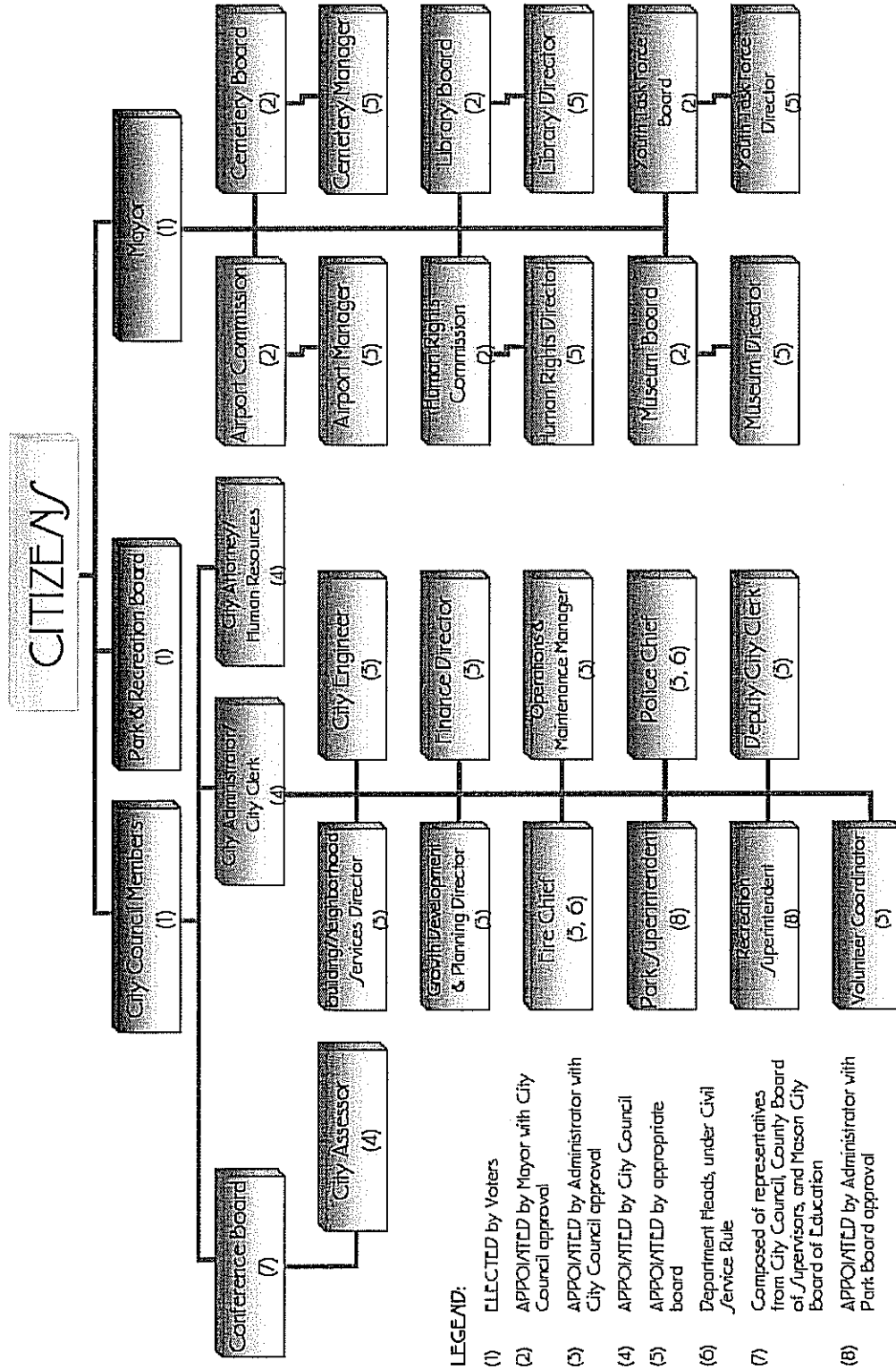
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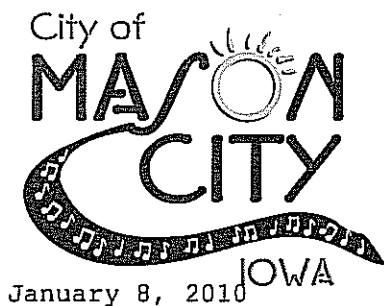
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CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Bang	Mayor	2009
John Jaszewski	Mayor Pro-Tem	2010
Jeff Marsters	Council Member	2009
Don Nelson	Council Member	2009
Max Weaver	Council Member	2009
Scott Tornquist	Council Member	2010
Steve Tynan	Council Member	2010
 Brent Trout	 City Administrator/Clerk	 2009
Mark Rahm	Public Works Director	2009
Kevin Jacobson	Director of Finance/Treasurer	2009
Tom Meyer	City Attorney/Human Resources Manager	2009
James Locher	Airport Attorney	2009
Michael Lashbrook	Police Chief	2009
Bob Platts	Fire Chief	2009
Pamela Myhre	Growth Development and Planning Director	2009
William Stangler	Operations and Maintenance Manager	2009
Mark Suby (retired 4-17-09)	Parks Manager	2009
Dan Brown (retired 9-16-09)	Recreation Manager	2009
Pam Osgood	Airport Manager	2009
Edith Blanchard	MacNider Museum Director	2009
Mary Markwalter	Library Director	2009
Randy Opheim	Elmwood Cemetery Manager	2009
Lionel Foster	Human Rights Director	2009

City of Mason City





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January 8, 2010

The Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

The Comprehensive Annual Financial Report of the City of Mason City, Iowa for the fiscal year ended June 30, 2009 (FY09) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes a table of contents, a list of City Officials, the organizational chart, this transmittal letter, and a copy of the Certificate of Achievement for Excellence in Financial Reporting earned for the fiscal year ended June 30, 2008. The financial section includes management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules for the fiscal year ended June 30, 2009, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

GAAP require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mason City's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENTAL STRUCTURE

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected at-large. The Mayor is elected at large for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Ten City departments are under the direction of the City Administrator. The City Attorney is under the direction of the City Council and six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport, Mason City Housing Authority and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Growth Development and Planning, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation and Police. The Neighborhood Services Division oversees Transit, Health, Inspections and Animal Control services. The City owns the Mason City Public Library, the Highland Park Golf Course and the Mason City Municipal Airport.

ECONOMIC CONDITION AND OUTLOOK

The City's new Growth Development & Planning Department continues its efforts on downtown development, economic development and new zoning and subdivision ordinance updates to create development regulations that will guide new development in the community in accordance with the City's 2006 Comprehensive Plan. The June 8, 2008 flood event in the community continues to focus the department's efforts on property buyouts. A Buyout Administrator position was created temporarily to assist this estimated 3-year project. Over 150 houses will be purchased and either demolished or moved, and the land will become permanent public open space. Luckily, the business and industrial areas of the community had limited flood losses.

The City continues to work with the Mason City Economic Development Corporation (MCEDC), a non-profit public-private organization, to promote and facilitate job creation and capital investment in the Mason City area along with the newly created North Iowa Corridor Economic Development Corporation (NICEDEC). The NICEDEC is a new, county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

The NICEDEC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They work with prospects, maintain a database of available buildings and sites in a 7-county region and partner with numerous local, state and national organizations to market and recruit business to North Iowa. They also assisted the City as the lead contact for businesses affected by the June, 2008 flood. A key industry being targeted by the NICEDEC is wind energy and value-added agriculture.

Accomplishments for the past fiscal year include:

- Sale of the spec building to FedEx Ground for a new 30,000 square foot package handling facility
- New marketing and promotional materials created
- Industrial park initiatives along the Avenue of the Saints and I-35 corridor, including signage proposals
- Hosted IDEC-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages
- Leading effort to revisit HNTB corridor study regarding land use and economic opportunities along Hwy 122 between Mason City and Clear Lake

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, remains a competitive force for economic development in the region.

EXPANDED AND NEW INDUSTRIES (7/1/08-6/30/09)

The valuation of expanded industrial development totaled approximately \$703,866 while new or expanded commercial and industrial development together totaled \$7,345,905. The Graham Manufacturing expansion project was the front-runner for industrial development. Also included are Golden Grain Energy and Lehigh Cement. The commercial sector experienced development of four new structures in addition to over 66 expansions, remodeling or improvement projects. Major developments in our commercial sector were the construction projects for the \$1,142,828 Federal Express, Humane Society of North Iowa of \$1,121,908, Kingland Aviation of \$350,000, and Hawkeye Mini Storage of \$220,406.

Other commercial and industrial ventures such as Mercy Medical Center, MBM Corporation, North Iowa Community Credit Union, Regency Center, North Iowa Community Action, Momberg Construction, North Iowa Bus Company and First Citizens National Bank, also engaged in physical additions and/or renovations to their current facilities. Several of the above listed businesses opened for business during the year, while others either completed or started remodeling and/or expansion projects. The City of Mason City saw remodel projects such as MacNider Campground, Water Reclamation, and Mason City Public Library started or completed during this period.

DOWNTOWN

The City has established a Downtown Façade Grant Program providing up to \$20,000 3:1 matching grants to incent the rehabilitation of historic storefronts in the Downtown Historic District. Three projects have been awarded grants thus far from the \$100,000 program. One of the projects has reopened an empty storefront on Federal Plaza as a bar/restaurant.

The City's obligation to the local Vision Iowa projects involves a \$2.4 million Federal Avenue and Plaza streetscape renovation. The project is underway with the local engineering firm WHKS and the Des Moines planning and design firm RDG. It will have a major impact on the face of downtown along with the restoration of the Frank Lloyd Wright designed Park Inn Hotel/City National Bank buildings into the new Historic Park Inn Hotel, with restaurant and meeting space. The City will also provide an \$800,000 parking solution for the hotel project.

The City has continued to work with the Mason City Downtown Association, newly rebranded as Main Street Mason City (MSMC) with an office on Federal Avenue, to stabilize and enhance the Downtown area. The functions of MSMC include business improvement, promotions/events/marketing and design (appearance) improvements. The following projects have been completed:

- Conducted 11 promotional events including ValenWine, the Friday Night Live summer concert series, Spooktacular Parade, The Great River City Festival and Home for the Holidays.
- Received a \$25,000 grant for "Way Finding" signage in the downtown area from the Iowa Great Places designation to be installed by Spring 2010.
- Conducted 2nd Annual "Cultural Walking Tour", a guided tour of historic structures in the downtown and Rock Crest/Rock Glen neighborhoods.
- Currently receiving applications for the 2010 Challenge Grant. Last year, two successful Challenge Grants were received from Main Street Iowa totaling \$100,000. The grants will leverage approximately \$600,000 in improvements to two historically significant structures.
- Sponsored a design consultation by Main Street Iowa that included renderings of façade renovation concepts for 15+ structures downtown plus an upper floor living case study that is in progress.
- Completed a Real Estate and Retail Market Analysis of the downtown.
- Provided Main Street/State of Iowa resources to flood victim businesses.
- Continued recognition as a National Main Street Community.
- Organized and facilitated the new downtown Mason City Market, a Saturday morning farmers' market that will move from the City Hall parking lot location to a Central Park location in 2010. Also, helped the local Farmers' Market coalition organize for the upcoming major Farmers' Market Convention 2010.

HOUSING:

Housing construction for Fiscal Year 2009 included 20 single-family dwellings and one duplex (two units), for a total of 22 new housing units. The number of single family dwelling units built was lower than that of previous years. Four single-family dwellings and one four-plex were demolished. After reducing the number of housing units built by the number demolished, the net gain for housing in FY09 totals 14 dwelling units for the community.

TRAFFIC

In 2009, the Mason City Engineering Department completed the following transportation improvement projects throughout Mason City. The purpose of these types of projects is to expand the street system, increase safety, and to restore a safer driving surface for motorists.

Stone Pillar Sixteenth Subdivision included a new paved street and cul-de-sac, along with a short extension of 15th Street SE. The total length of the project was approximately 900 feet.

Approximately 2.6 miles of City streets were overlaid with asphalt as part of the annual rehabilitation program. This overlay will extend the life of pavement and improve the surface and, therefore, the ride for motorists.

FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2009 provided instances of material weakness in the internal control structure.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2009.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$16,672,715	58.46%
Licenses and Permits	594,809	2.08
Intergovernmental	8,771,337	30.75
Service Revenues	788,428	2.76
Fines and Forfeitures	117,261	0.41
Use of Monies and Properties	747,268	2.61
Special Assessments	30,900	0.13
Miscellaneous	591,339	2.07
Refunds	207,873	0.73
Total	<u>\$28,521,930</u>	<u>100.00%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2009.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 8,121,819	21.70%
Public Works	2,879,684	7.69
Health and Social Services	750,863	2.01
Culture and Recreation	3,046,106	8.14
Community & Economic Development	1,693,168	4.52
General Government	2,531,895	6.76
Capital Projects	16,059,284	42.91
Debt Service	2,342,993	6.27
Total	<u>\$37,425,812</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY09 with a fund balance of \$7,263,027 compared to \$8,622,126 on June 30, 2008. This was due to a \$1,359,099 deficiency of revenues under expenditures for FY09.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$81,409 in FY09, an increase of 16.5% from FY08. Operating expenses were \$277,624 in FY09, an increase of 7.3% from FY08. Net income was \$(30,775) in FY09, a 177.3% decrease from FY08.
2. Waterworks Fund - Operating revenues were \$4,647,116 in FY09, a decrease of 1.2% from FY08. Operating expenses were \$4,433,286 in FY09, an increase of 3.2% from FY08. Net income was \$(79,389) in FY09, a 134.3% decrease from FY08.
3. Sewer Rental Fund - Operating revenues were \$4,192,111 in FY09, an increase of 37.1% from FY08. Operating expenses were \$2,747,479 in FY09, an increase of 6.9% from FY08. Net income was \$1,602,148 in FY09, a 1,202.8% increase from FY08.
4. Parking Lots Fund - Operating revenues were \$45,510 in FY09, an increase of 3.7% from FY08. Operating expenses were \$117,316 in FY09, an increase of 6.1% from FY08. Net income was \$25,783 in FY09, a 1.5% increase from FY08.
5. Storm Sewer Fund - Operating revenues were \$289,516 in FY09, a 0.4% increase from FY08. Operating expenses were \$165,644 in FY09, a 9.4% decrease from FY08. Net income was \$120,423 in FY09, a 62.7% decrease from FY08.
6. Solid Waste Fund - Operating revenues were \$1,230,639 in FY09, an increase of 10.6% from FY08. Operating expenses were \$1,200,871 in FY09, an increase of 1.1% from FY08. Net income was \$221,126 in FY09, a 413.9% increase from FY08.
7. Golf Course Fund - Operating revenues were \$430,271 in FY09, an increase of 5.1% from FY08. Operating expenses were \$462,036 in FY09, a decrease of 6.7% from FY08. Net income was \$41,759 in FY09, a 155.6% increase from FY08.
8. Ambulance Fund - Operating revenues were \$1,507,937 in FY09, a decrease of 3.0% from FY08. Operating expenses were \$1,315,134 in FY09, an increase of 3.9% from FY08. Net income was \$287,800 in FY09, an increase of 2.7% from FY08.

INTERNAL SERVICE FUNDS

The Central Services Internal Service Fund is used to account for the costs of the centralized service operations, and the Employee Health Care Fund is used to account for the payment of health insurance costs and the reimbursement of employee's portion of costs.

FIDUCIARY FUNDS

Fiduciary Funds are established to account for assets held by the governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

DEBT ADMINISTRATION

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The following shows this information as of June 30, 2009:

	Amount	RATIOS	
		Debt to Assessed Value	Debt per Capita
Net Bonded Debt	\$14,755,232	1.45%	\$505.80

The City issued \$6,530,000 of General Obligation bonds during the year as part of various public works and utility-related projects.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U. S. Treasury. Police and Fire Retirement Special Revenue funds investment portfolio also included mutual fund accounts with Wells Fargo. The City earned interest revenue of \$809,634 on all investments for the year ended June 30, 2009.

For the fiscal periods ended June 30, 2009 and 2008, interest income was as follows:

<u>Fund Type</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
General Fund	\$181,595	\$ 393,040
Special Revenue Funds	344,795	378,981
Capital Projects Funds	49,328	126,738
Enterprise Funds	118,491	258,428
Permanent Funds	52,380	60,336
Debt Service Funds	15,715	23,466
Fiduciary Funds	26	-
Internal Service Funds	47,304	62,635
Total Interest Earned	<u>\$809,634</u>	<u>\$1,303,624</u>

The decrease in earnings on idle funds invested for the year ending June 30, 2009 was due to the decrease in rate of return on invested funds.

RISK MANAGEMENT

The City has a Safety Loss Control Program for the purpose of providing a safe and healthy workplace for its employees. Also, the City has a Fleet Safety policy for the purpose of promoting safe driving by the municipal employees. As part of these comprehensive plans, the City has regular safety training meetings to instruct employees in various risk control techniques, as well as accident prevention training. Insurance coverage is currently maintained for workers compensation claims greater than \$300 and other potential losses.

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unreserved, undesignated general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, LOST, Water, Sewer and Sanitation. During FY 2009, the City met all fund balance policies.

The City Council also adopted Debt Service, Investment and Fund Transfer policies. Each of these policies gives guidance to the Finance Department in establishing parameters to be used during the budget process. Also during the budget process, the City evaluates the property tax rate for comparison to other cities of similar size and to determine that there will be sufficient revenue to provide the services deemed necessary by the City Council. Fees and charges for services are also evaluated annually to ensure they keep pace with the cost of providing these specific services.

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY09 was made by Douglas E. Kronlage, Certified Public Accountant. His opinion has been included in this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twenty-third consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kevin E. Jacobson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mason City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**FINANCIAL
SECTION**

Douglas E. Kronlage

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mason City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my reports, dated January 8, 2010 on my consideration of the City of Mason City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion & Analysis on pages 3 through 12 and other required supplementary information on page 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mason City, Iowa. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



January 8, 2010

(except for Note 19 to the financial statements,
as to which the date is March 28, 2010)

City of Mason City, Iowa Management's Discussion and Analysis

As management of the City of Mason City, we offer the readers of the City of Mason City's financial statements this narrative overview and analysis of the financial activities of the City of Mason City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2009, by \$126.57 million (net assets). Of this amount, \$23.18 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$6.23 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$19.96 million, a decrease of 13.3% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7.04 million, or 37.1% of the total general fund expenditures.
- Total debt increased by \$11,691,000 (30.8%) during the current fiscal year. The City issued \$16.53 million of new bonds and retired \$4.84 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mason City's basic financial statements. The City of Mason City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mason City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, cemetery services, and street operations and maintenance. The major business-type activities of the City include the water and wastewater treatment facilities, storm sewer system, solid waste management collection, ambulance service, parking lots and the golf course. The City's two component units, the MacNider Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit. Additional information on these legally separate entities can be found in Note 1 in the Notes to the Financial Statements.

The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mason City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mason City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mason City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Road Use Tax fund and 19th Street SW Overpass fund, which are considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mason City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 17-26 of this report.

Proprietary Funds

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 27-36 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 37-38 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$126,390,872 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (78.3%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets for the fiscal year ending June 30, 2009 and June 30, 2008.

City of Mason City's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current & other assets	\$39,829,615	\$41,379,780	\$ 7,927,439	\$ 7,378,419	\$ 47,757,054	\$ 48,758,199
Capital assets	77,614,481	66,975,826	71,200,557	61,246,434	148,815,038	128,222,260
Total assets	117,444,096	108,355,606	79,127,996	68,624,853	196,572,092	176,980,459
Long-term liabilities outstanding	14,665,712	11,164,626	30,442,181	23,168,357	45,107,893	34,332,983
Other liabilities	19,519,624	17,886,567	5,553,703	4,421,194	25,073,327	22,307,761
Total liabilities	34,185,336	29,051,193	35,995,884	27,589,551	70,181,220	56,640,744
Net Assets:						
Invested in capital assets, net of related debt	60,958,677	54,151,661	38,209,810	36,086,120	99,168,487	90,237,781
Restricted	1,388,351	1,451,883	2,836,665	2,799,606	4,225,016	4,251,489
Unrestricted	20,911,732	23,700,869	2,085,637	2,149,576	22,997,369	25,850,445
Total	\$83,258,760	\$79,304,413	\$43,132,112	\$41,035,302	\$ 126,390,872	\$ 120,339,715

A portion of the City of Mason City's net assets (3.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,997,639) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net assets, both for governmental as a whole, as well as separate governmental and business-type activities. As projects are finalized and closed, the majority are financed through the issuance of bonds, which are then repaid through the debt service levy or tax-increment financing.

There was a decrease of \$2,789,137 in unrestricted net assets for the City of Mason City's governmental activities. Most of the decrease is due to the use of cash on hand for payment of capital assets completed throughout the year. Also there was a reduction in investment earnings due to lower interest rates this fiscal year compared to the previous fiscal year.

The government's net assets increased by \$6,051,157 for the current fiscal year. Most of the increase was due to the addition of the 19th Street SW Overpass and an increase in taxes collected due to increases in total taxable valuation. Several new capital grants used for various street and sewer projects also contributed to the increase in net assets.

City of Mason City Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Charges for services	\$ 1,531,400	\$ 1,461,078	\$ 12,481,198	\$ 11,287,686	\$ 14,012,598	\$ 12,748,764
Operating grants & contributions	1,970,043	1,586,253	584,695	-	2,554,738	1,586,253
Capital grants & contributions	4,828,170	3,383,038	270,810	1,111,409	5,098,980	4,494,447
General Revenues:						
Taxes	20,065,190	20,062,148	105,232	100,873	20,170,422	20,163,021
Investment earnings	795,157	1,478,799	198,766	346,442	993,923	1,825,241
Miscellaneous	310,443	114,747	170,119	106,463	480,562	221,210
Total revenues	29,500,403	28,086,063	13,810,820	12,952,873	43,311,223	41,038,936
Expenses:						
Public safety	8,776,634	8,836,067	-	-	8,776,634	8,836,067
Public works	6,912,927	6,547,510	-	-	6,912,927	6,547,510
Health & social services	769,456	838,912	-	-	769,456	838,912
Culture & recreation	3,720,434	3,192,566	-	-	3,720,434	3,192,566
Community & econ development	1,937,074	1,516,775	-	-	1,937,074	1,516,775
General government	2,668,372	2,206,251	-	-	2,668,372	2,206,251
Interest on debt	695,529	580,638	-	-	695,529	580,638
Water	-	-	5,047,464	4,896,428	5,047,464	4,896,428
Sewer	-	-	3,118,427	2,841,619	3,118,427	2,841,619
Other	-	-	3,613,749	3,562,784	3,613,749	3,562,784
Total expenses	25,480,426	23,718,719	11,779,640	11,300,831	37,260,066	35,019,550
Increase in net assets before transfers	4,019,977	4,367,344	2,031,180	1,652,042	6,051,157	6,019,386
Transfers	(65,630)	(235,136)	65,630	235,136	-	-
Increase in net assets	3,954,347	4,132,208	2,096,810	1,887,178	6,051,157	6,019,386
Net assets 7-1-2008	79,304,413	75,172,205	41,035,302	39,148,124	120,339,715	114,320,329
Net assets 6-30-2009	\$ 83,258,760	\$ 79,304,413	\$ 43,132,112	\$ 41,035,302	\$ 126,390,872	\$ 120,339,715

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by \$3,954,347 during the current fiscal year, accounting for 65.3% of the total increase in the net assets of the City of Mason City. The majority of the increase in the net assets is a result of the new animal shelter, airport rehabilitation projects, street construction and park improvements.

Business-type Activities

Total net assets increased by \$2,096,810 for fiscal year 2009, accounting for 34.7% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing upgrades of the water and sanitary sewer system.

Charges for services for business-type activities increased 10.57%. Utility rate increases of 7.0% for Water and 4.0% for Sewer were enacted July 1, 2009.

Operating expenses for business type activities increased by 23.7%. Expenses in the Water fund increased by 2.7% while Sewer expenses increased by 9.3%. The increase in Water and Sewer was due directly to the increased operating costs such as wage adjustments and insurance premium the City pays. Sewer expenses also included maintenance and repair costs for sewer lines.

Financial Analysis of the Government's Funds

As noted earlier, the City of Mason City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$19,964,140, a decrease of \$3,058,712 in comparison with the prior year. The decrease is due mainly to the anticipated use of General fund reserves to balance the budget to maintain a stable tax levy, and the anticipated use of Road Use Tax reserves to reduce the amount of debt otherwise required to complete street projects. The 19th Street SW Overpass fund had a decrease in fund balance due to payments made this fiscal year for the construction of the overpass. Library Trust and Museum Trust, both nonmajor governmental funds, contributed to the overall reduction in fund balance for governmental funds. Both trust funds had a drawdown of cash to help balance their respective funds. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed 1) to liquidate general obligation bonds (\$267,858); 2) for cemetery perpetual care (\$486,855); 3) for Museum expenditures (\$633,638); and 4) prepaid expenditures (\$237,577).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,035,343 while total fund balance reached \$7,263,027. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37.14% of total general fund expenditures, while total fund balance represents 38.34% of that same amount.

The General Fund balance decreased by \$1,359,099. Factors in this decrease are as follows:

- The City Council approved a budgeted drawdown of the fund balance during the FY 08-09 budget process.
- City Council approved additional expenditures of approximately \$200,000 for economic development throughout the fiscal year.

The debt service fund has a total fund balance of \$267,858, all of which is reserved for the payment of future debt service. The net decrease of \$94,945 in fund balance during the current year in the debt service fund was due to payment of the new bond issue interest not currently certified on the debt service levy.

During the fiscal year, the City of Mason City issued bonds for the following projects:

- \$3,030,000 General Obligation bonds for Street Improvements, Public Safety Improvements and Water Main Improvements.
- \$3,500,000 General Obligation bonds for the 19th Street SW Overpass project.
- \$10,000,000 State Revolving loan funds for the Sewage Treatment rehabilitation project.

The basic governmental fund financial statements can be found on pages 17-26.

Proprietary Funds

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$3,219,148. Water reported a decrease in unrestricted net assets of \$313,654 and Sewer reported a decrease of \$100,180.

Rates were increased in the Water and Sewer funds. The rate increase in Water is used to provide additional resources needed to finance the ongoing water main replacement projects. The Sewer rate increase is being used to fund the ongoing completion of the inflow and infiltration study for the sewer system and the approved upgrade of the Sewage Treatment plant.

The capital improvements plan identifies and quantifies capital needs for the next several years. Rates in all proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years.

General Fund Budgetary Highlights

Differences between original and final budget amounted to \$1,931,980 and the significant items are summarized as follows:

- Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by \$300,000.
- Public works increased for an airport project not originally budgeted but funded through a new state grant.
- Youth Task Force services were increased by \$140,000 and funded through state grants.
- The City experienced a flood in 2008, and unbudgeted cleanup and repair costs were paid through a FEMA grant totaling \$560,000.
- Capital projects not completed the prior fiscal year were carried over totaling approximately \$800,000.

The variance between the amended budget and actual was due mainly to unforeseen expenses in public services and public works. Also, the City experienced a flood in June 2008 and the non-budgeted cleanup costs were this fiscal year.

Capital Asset and Debt Administration

Capital Assets

The City of Mason City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$148,815,038 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Street construction projects including rehabilitation and intersection improvements were completed.
- Continued construction of the 19th Street SW Overpass.
- The Airport completed taxiway runway projects.
- Several park enhancements were completed.
- Water main reroutes were completed.
- The inflow and infiltration project continues to update the sewer infrastructure.
- Construction began on the Sewer Treatment plant upgrade.

**City of Mason City's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	3,900,833	3,552,872	13,408,389	13,798,490	17,309,222	17,351,362
Other Improvements	13,941,327	14,218,264	215,288	238,715	14,156,615	14,456,979
Machinery & Equip	2,396,535	1,827,475	886,741	801,436	3,283,276	2,628,911
Vehicles	2,330,105	2,475,538	1,397,497	1,019,417	3,727,602	3,494,955
Infrastructure	38,312,245	37,669,857	37,310,058	35,330,408	75,622,303	73,000,265
Const in Progress	14,099,080	4,597,464	13,159,222	5,234,606	27,258,302	9,832,070
Total	\$77,614,481	\$66,975,826	\$71,200,557	\$61,246,434	\$148,815,038	\$ 128,222,260

Additional information on the City of Mason City's capital assets can be found in Note 6 on pages 48-49 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was \$49.58 million as compared to \$37.89 million last fiscal year. The increase is a result of new debt issued for street, water and sewer construction projects. Of the total general obligation debt outstanding, \$15.02 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water or sewer revenues.

City of Mason City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation	\$15,023,090	\$11,110,221	\$ 6,932,920	\$ 6,314,230	\$21,956,010	\$17,424,451
Revenue bonds	1,569,339	1,727,044	26,057,827	18,740,604	27,627,166	20,467,648
Equipment purchase contract	-	-	-	105,480	-	105,480
Total	\$16,592,429	\$12,837,265	\$32,990,747	\$25,160,314	\$49,583,176	\$37,997,579

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa1.

For more detailed information on the City's debt and amortization terms, please refer to Notes to the Financial Statements on pages 53-54.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$80,036,347 and the City of Mason City is currently at \$23,206,321 or 29.0% of the outstanding general obligation debt.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 53-57 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2009 is 9.9%. The unemployment level for June 2008 was 5.6%. Cerro Gordo County's rate for June 2009 is 6.7%, and the state's rate is 6.2%.
- The hourly wage rate in Cerro Gordo County averaged \$15.38 for 2008 and \$15.72 for 4th quarter 2009.
- Retail sales in the Cerro Gordo County were \$667 million for fiscal year ending 2009, up from \$651 million in fiscal year 2008 and \$628 million in fiscal year 2007.
- The total value of building permits for fiscal year 2009 was approximately \$38.3 million. This compares with an amount of \$30.2 million for fiscal year 2008.

Next Year's Budget and Rates

For FY 2010, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 72% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

Due to the continued improvements for water and sewer infrastructure, fees are projected to increase approximately 7% for Water and 4.0% for Sewer for FY 2010. Several capital projects are currently under consideration for the FY 2010 budget. Even with these increases in rates, our combined water, sewer, storm sewer and sanitation rates are slightly above the midpoint of surveyed cities in Iowa that provide similar services.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Kevin E. Jacobson, Finance Director, City of Mason City, 10 1st Street N.W., Mason City, Iowa 50401.

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Current assets:				
Cash	\$ 10,990,358	\$ 1,827,665	\$ 12,818,023	\$283,074
Investments	12,540,067	1,750,050	14,290,117	-
Receivables:				
Taxes	12,298,900	114,359	12,413,259	-
Special assessments	186,374	23,116	209,490	-
Accounts (net)	53,927	1,732,893	1,786,820	17,351
Accrued interest	83,033	4,921	87,954	-
Internal balances	1,093,623	(1,093,623)	-	-
Due from other governments	1,799,005	340,824	2,139,829	-
Prepaid insurance	237,626	32,982	270,608	-
Inventory	22,114	353,211	375,325	-
Deferred charges	-	-	-	4,983
Total current assets	<u>\$ 39,305,027</u>	<u>\$ 5,086,398</u>	<u>\$ 44,391,425</u>	<u>\$305,408</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 42,053	\$ 1,635,743	\$ 1,677,796	\$ -
Investments	440,198	1,200,000	1,640,198	-
Receivables	4,604	922	5,526	-
Special assessments	37,733	4,376	42,109	-
Capital assets:				
Land and construction in progress	16,733,436	17,982,584	34,716,020	-
Other capital assets net of depreciation	60,881,045	53,217,973	114,099,018	21,256
Total noncurrent assets	<u>\$ 78,139,069</u>	<u>\$74,041,598</u>	<u>\$152,180,667</u>	<u>\$ 21,256</u>
Total assets	<u>\$117,444,096</u>	<u>\$79,127,996</u>	<u>\$196,572,092</u>	<u>\$326,664</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 2,168,321	\$ 365,321	\$ 2,533,642	\$ 2,325
Salaries payable	534,799	192,864	727,663	26,438
Contracts payable	1,353,804	1,780,138	3,133,942	-
Accrued compensated absences	958,880	253,294	1,212,174	-
Accrued interest payable	52,698	97,631	150,329	-
Due to other governments	5,129	22,545	27,674	-
Due to customers	-	72,601	72,601	-
Unearned revenue	12,328,348	118,190	12,446,538	-
Prepaid interments	-	48,225	48,225	-
Deferred revenue	-	-	-	362
Current portion of long-term debt:				
Bonds payable	2,117,645	2,602,894	4,720,539	-
Total current liabilities	<u>\$ 19,519,624</u>	<u>\$ 5,553,703</u>	<u>\$ 25,073,327</u>	<u>\$ 29,125</u>
Noncurrent liabilities:				
Bonds payable	\$ 14,474,784	\$30,610,568	\$ 45,085,352	\$ -
Advance on long-term debt	101,100	-	101,100	-
Discount on bonds payable	(37,725)	(222,715)	(260,440)	-
Net OPEB obligation	127,553	54,328	181,881	-
Total noncurrent liabilities	<u>\$ 14,665,712</u>	<u>\$30,442,181</u>	<u>\$ 45,107,893</u>	<u>\$ -</u>
Total liabilities	<u>\$ 34,185,336</u>	<u>\$35,995,884</u>	<u>\$ 70,181,220</u>	<u>\$ 29,125</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS:				
Invested in capital assets-net of related debt	\$ 60,958,677	\$ 38,209,810	\$ 99,168,487	\$ 21,256
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	486,855	-	486,855	-
Expendable:				
Bond retirement	267,858	2,836,665	3,104,523	-
Unrestricted	<u>20,911,732</u>	<u>2,085,637</u>	<u>22,997,369</u>	<u>276,283</u>
Total net assets	<u>\$ 83,258,760</u>	<u>\$43,132,112</u>	<u>\$126,390,872</u>	<u>\$297,539</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$ 8,776,634	\$ 388,341	\$ 142,564
Public works	6,912,927	96,274	295,084
Health and social services	769,456	7,240	440,645
Culture and recreation	3,720,434	474,665	514,812
Community and economic development	1,937,074	111,808	576,938
General government	2,668,372	453,072	-
Interest on long-term debt	695,529	-	-
Total governmental activities	<u>\$25,480,426</u>	<u>\$ 1,531,400</u>	<u>\$1,970,043</u>
Business-type activities:			
Cemetery	\$ 282,484	\$ 81,409	\$ -
Water	5,047,464	4,647,116	198,056
Sewer	3,118,427	4,196,151	197,018
Parking lots	118,762	98,159	-
Storm sewer	178,107	289,516	-
Solid waste	1,216,902	1,230,639	188,926
Golf course	463,543	430,271	695
Ambulance	1,353,951	1,507,937	-
Total business-type activities	<u>\$11,779,640</u>	<u>\$12,481,198</u>	<u>\$ 584,695</u>
Total primary government	<u>\$37,260,066</u>	<u>\$14,012,598</u>	<u>\$2,554,738</u>
Component unit:			
Mason City Housing Authority	<u>\$ 1,747,659</u>	<u>\$ 1,667,791</u>	<u>\$ -</u>
General Revenues:			
Property taxes			
Other taxes			
Road use tax			
Unrestricted state utility tax replacement			
Grants and contributions not restricted to specific program			
Unrestricted investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See Notes to Financial Statements.

Net (Expense) Revenue and Change in Net Assets				
Primary Government				
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ 74,000	\$ (8,171,729)	\$ -	\$ (8,171,729)	\$ -
3,935,201	(2,586,368)	-	(2,586,368)	-
-	(321,571)	-	(321,571)	-
667,766	(2,063,191)	-	(2,063,191)	-
151,203	(1,097,125)	-	(1,097,125)	-
-	(2,215,300)	-	(2,215,300)	-
-	(695,529)	-	(695,529)	-
<u>\$4,828,170</u>	<u>\$ (17,150,813)</u>	<u>\$ -</u>	<u>\$ (17,150,813)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (201,075)	\$ (201,075)	\$ -
-	-	(202,292)	(202,292)	-
270,810	-	1,545,552	1,545,552	-
-	-	(20,603)	(20,603)	-
-	-	111,409	111,409	-
-	-	202,663	202,663	-
-	-	(32,577)	(32,577)	-
-	-	153,986	153,986	-
<u>\$ 270,810</u>	<u>\$ -</u>	<u>\$ 1,557,063</u>	<u>\$ 1,557,063</u>	<u>\$ -</u>
<u>\$5,098,980</u>	<u>\$ (17,150,813)</u>	<u>\$ 1,557,063</u>	<u>\$ (15,593,750)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (79,868)
	\$ 12,884,283	\$ 105,232	\$ 12,989,515	-
	4,576,634	-	4,576,634	-
	2,417,780	-	2,417,780	-
	186,493	-	186,493	-
	44,895	-	44,895	-
	795,157	198,766	993,923	1,879
	265,548	170,119	435,667	-
	(65,630)	65,630	-	-
	<u>\$ 21,105,160</u>	<u>\$ 539,747</u>	<u>\$ 21,644,907</u>	<u>\$ 1,879</u>
	\$ 3,954,347	\$ 2,096,810	\$ 6,051,157	\$ (77,989)
	79,304,413	41,035,302	120,339,715	375,528
	<u>\$ 83,258,760</u>	<u>\$43,132,112</u>	<u>\$126,390,872</u>	<u>\$297,539</u>

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009

	<u>General</u>	<u>Road Use Tax</u>
ASSETS:		
Cash	\$5,369,161	\$ 716,523
Investments	2,550,000	900,000
Receivables:		
Property taxes	8,353,398	-
Special assessments - current	109,742	76,632
Special assessments - deferred	31,637	6,096
Accounts (net)	51,189	2,738
Accrued interest	23,092	-
Due from other funds	709,911	-
Due from state government	608,326	275,011
Due from federal government	247,349	-
Prepaid insurance	227,684	9,893
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	<u>\$18,281,489</u>	<u>\$1,986,893</u>
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 597,392	\$ 162,153
Salaries payable	481,121	45,211
Contracts payable	276,748	423,194
Accrued vacation payable	875,331	65,709
Due to other funds	508,546	219,452
Due to state government	4,706	-
Unearned revenue	8,274,618	6,096
Total liabilities	<u>\$11,018,462</u>	<u>\$ 921,815</u>
 Fund balances:		
Reserved for:		
Museum funding	\$ -	\$ -
Debt service	-	-
Prepaid insurance	227,684	9,893
Perpetual care	-	-
Unreserved:		
General	7,035,343	-
Special revenue	-	1,055,185
Capital project	-	-
Permanent	-	-
Total fund balances	<u>\$ 7,263,027</u>	<u>\$1,065,078</u>
 Total liabilities and fund balance	<u>\$18,281,489</u>	<u>\$1,986,893</u>

(continued)

19 th Street SW Overpass	Other Governmental	Total
\$1,327,040	\$ 2,370,485	\$ 9,783,209
625,000	7,639,790	11,714,790
-	3,168,273	11,521,671
-	-	186,374
-	-	37,733
-	-	53,927
3,568	47,498	74,158
-	367,952	1,077,863
142,135	526,184	1,551,656
-	-	247,349
-	-	237,577
-	42,053	42,053
-	440,198	440,198
-	4,604	4,604
<u>\$2,097,743</u>	<u>\$14,607,037</u>	<u>\$36,973,162</u>

\$ 616,656	\$ 111,788	\$ 1,487,989
-	1,155	527,487
625,154	28,708	1,353,804
5,601	-	946,641
-	413,057	1,141,055
-	423	5,129
-	3,266,203	11,546,917
<u>\$1,247,411</u>	<u>\$ 3,821,334</u>	<u>\$17,009,022</u>

\$ -	\$ 633,638	\$ 633,638
-	267,858	267,858
-	-	\$237,577
-	486,855	486,855
-	-	7,035,343
-	7,607,556	8,662,741
850,332	1,521,614	2,371,946
-	268,182	268,182
<u>\$ 850,332</u>	<u>\$10,785,703</u>	<u>\$19,964,140</u>
<u>\$2,097,743</u>	<u>\$14,607,037</u>	<u>\$36,973,162</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Fund balances—total governmental funds	\$19,964,140
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Amounts reported for governmental activities in the statement of net assets are different because:

Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets.	22,114
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	77,534,443
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Internal service funds, net assets	2,574,118
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Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:

Bonds payable	\$(16,693,529)	
Accrued interest	(52,698)	
Bond discount	37,725	
Net OPEB obligation	<u>(127,553)</u>	<u>(16,836,055)</u>

Net assets of governmental activities	<u>\$83,258,760</u>
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See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 7,891,956	\$ -
TIF revenues	-	-
Other taxes	3,124,063	-
Licenses and permits	594,809	-
Intergovernmental	2,798,081	2,423,335
Charges for service	660,226	62,243
Fines and forfeitures	117,261	-
Use of money and property	526,492	1,673
Special assessments	21,852	9,048
Miscellaneous	368,096	-
Refunds	30,274	-
Total revenues	<u>\$16,133,110</u>	<u>\$ 2,496,299</u>
EXPENDITURES:		
Current:		
Public safety	\$ 7,217,374	\$ -
Public works	812,300	1,660,808
Health & social services	724,717	-
Culture & recreation	2,642,412	-
Community & economic development	1,129,734	184,227
General government	2,422,895	-
Capital projects	3,991,221	3,629,928
Debt service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$18,940,653</u>	<u>\$ 5,474,963</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,807,543)</u>	<u>\$ (2,978,664)</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 769,100	\$ 1,469,700
Transfers in	924,344	1,000,300
Transfers out	(245,000)	(15,000)
Total other financing sources (uses)	<u>\$ 1,448,444</u>	<u>\$ 2,455,000</u>
Net change in fund balances	\$ (1,359,099)	\$ (523,664)
Fund balance beginning of year	<u>8,622,126</u>	<u>1,588,742</u>
Fund balance end of year	<u>\$ 7,263,027</u>	<u>\$ 1,065,078</u>

(continued)

<u>19th Street SW Overpass</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 2,724,008	\$10,615,964
-	1,293,624	1,293,624
-	1,639,064	4,763,127
-	-	594,809
2,712,981	836,940	8,771,337
-	65,959	788,428
-	-	117,261
20,824	198,279	747,268
-	-	30,900
11	223,232	591,339
-	177,599	207,873
<u>\$ 2,733,816</u>	<u>\$ 7,158,705</u>	<u>\$28,521,930</u>
\$ -	\$ 904,445	\$ 8,121,819
374,185	32,391	2,879,684
-	26,146	750,863
-	403,694	3,046,106
-	379,207	1,693,168
-	109,000	2,531,895
5,662,009	2,776,126	16,059,284
-	1,659,835	1,659,835
-	634,734	634,734
-	48,424	48,424
<u>\$ 6,036,194</u>	<u>\$ 6,974,002</u>	<u>\$37,425,812</u>
<u>\$ (3,302,378)</u>	<u>\$ 184,703</u>	<u>\$ (8,903,882)</u>
\$ 3,000,000	\$ 247,000	\$ 5,485,800
-	613,354	2,537,998
-	(1,918,628)	(2,178,628)
<u>\$ 3,000,000</u>	<u>\$ (1,058,274)</u>	<u>\$ 5,845,170</u>
\$ (302,378)	\$ (873,571)	\$ (3,058,712)
<u>1,152,710</u>	<u>11,659,274</u>	<u>23,022,852</u>
<u>\$ 850,332</u>	<u>\$10,785,703</u>	<u>\$19,964,140</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances—total governmental funds \$ (3,058,712)

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold. (269,479)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$14,903,134	
Depreciation expense	<u>(4,042,016)</u>	10,861,118

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$1,659,835	
Issuance of debt	(5,485,800)	
Accrued interest	(12,372)	
Amortization of bond discount	(5,675)	
Other post-employment benefits	<u>(127,553)</u>	(3,971,565)

Internal service funds net change	<u>392,985</u>
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Change in net assets—governmental activities	<u>\$ 3,954,347</u>
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See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual
REVENUES:			
Property tax	\$ 7,862,931	\$ 7,862,931	\$ 7,891,956
Other tax	2,819,345	2,819,345	3,124,063
Licenses and permits	600,705	600,705	594,809
Intergovernmental	2,472,552	3,842,712	2,798,081
Charges for service	1,242,090	1,242,090	660,226
Fines and forfeitures	-	-	117,261
Use of money and property	361,500	361,500	526,492
Special assessments	-	-	21,852
Miscellaneous	1,367,723	1,447,723	368,096
Refunds	-	-	30,274
Total revenues	<u>\$16,726,846</u>	<u>\$18,177,006</u>	<u>\$16,133,110</u>
EXPENDITURES:			
Current:			
Public safety	\$ 7,059,483	\$ 7,380,233	\$ 7,217,374
Public works	953,247	1,014,547	812,300
Health & social services	725,798	861,061	724,717
Culture & recreation	2,721,741	2,857,941	2,642,412
Community & economic development	973,556	1,001,556	1,129,734
General government	2,406,335	2,825,655	2,422,895
Capital projects	8,324,170	9,154,517	3,991,221
Total expenditures	<u>\$23,164,330</u>	<u>\$25,095,510</u>	<u>\$18,940,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,437,484)</u>	<u>\$ (6,918,504)</u>	<u>\$ (2,807,543)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 4,066,881	\$ 4,066,881	\$ 769,100
Transfers in	1,020,000	1,020,000	924,344
Transfers out	-	(240,000)	(245,000)
Total other financing sources (uses)	<u>\$ 5,086,881</u>	<u>\$ 4,846,881</u>	<u>\$ 1,448,444</u>
Net change in fund balance	<u>\$ (1,350,603)</u>	<u>\$ (2,071,623)</u>	<u>\$ (1,359,099)</u>
Fund balance beginning of year	-	-	8,622,126
Fund balance end of year	<u>\$ (1,350,603)</u>	<u>\$ (2,071,623)</u>	<u>\$ 7,263,027</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 29,025
304,718
(5,896)
(1,044,631)
(581,864)
117,261
164,992
21,852
(1,079,627)
30,274
\$ (2,043,896)

\$ 162,859
202,247
136,344
215,529
(128,178)
402,760
5,163,296
\$ 6,154,857

\$ 4,110,961

\$ (3,297,781)
(95,656)
(5,000)

\$ (3,398,437)

\$ 712,524

8,622,126

\$ 9,334,650

CITY OF MASON CITY, IOWA
ROAD USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 2,400,000	\$ 2,614,500	\$ 2,423,335
Charges for service	-	-	62,243
Use of money and property	-	-	1,673
Special assessments	-	-	9,049
Miscellaneous	45,000	45,000	-
Total revenues	<u>\$ 2,445,000</u>	<u>\$ 2,659,500</u>	<u>\$ 2,496,300</u>
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,088,709	\$ 1,276,709	\$ 1,134,281
Contractual	458,158	458,158	281,284
Commodities	333,204	547,704	245,244
Total public works	<u>\$ 1,880,071</u>	<u>\$ 2,282,571</u>	<u>\$ 1,660,809</u>
Community and economic development:			
Personal services	\$ -	\$ -	\$ 33,370
Contractual	-	-	144,066
Commodities	-	-	6,791
Total community and economic development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,227</u>
Capital projects	<u>\$ 4,102,468</u>	<u>\$ 4,102,468</u>	<u>\$ 3,629,928</u>
Total expenditures	<u>\$ 5,982,539</u>	<u>\$ 6,385,039</u>	<u>\$ 5,474,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,537,539)</u>	<u>\$ (3,725,539)</u>	<u>\$ (2,978,664)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 2,590,000	\$ 2,590,000	\$ 1,469,700
Transfers in	970,000	970,000	1,000,300
Transfers out	(15,000)	(15,000)	(15,000)
Total other financing sources (uses)	<u>\$ 3,545,000</u>	<u>\$ 3,545,000</u>	<u>\$ 2,455,000</u>
Net change in fund balance	\$ 7,461	(\$180,539)	\$ (523,664)
Fund balance beginning of year	-	-	1,588,742
Fund balance end of year	<u>\$ 7,461</u>	<u>\$ (180,539)</u>	<u>\$ 1,065,078</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ (191,165)
62,243
1,673
9,049
(45,000)
\$ (163,200)

\$ 142,428
176,874
302,460
\$ 621,762

\$ (33,370)
(144,066)
(6,791)

\$ (184,227)

\$ 472,540

\$ 910,075

\$ 746,875

\$ (1,120,300)
30,300
-

\$ (1,090,000)

\$ (343,125)

1,588,742

\$ 1,245,617

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2009

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 114,548	\$ 781,565
Investments (at cost)	1,050,000	700,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	23,116
Special assessments - deferred	-	4,376
Accounts (net)	540,505	453,534
Accrued interest	1,949	1,875
Inventory	277,191	74,634
Due from other funds	52,681	-
Due from state government	112,362	19,702
Due from federal government	-	171,821
Prepaid insurance	12,892	16,666
Total current assets	<u>\$ 2,162,128</u>	<u>\$ 2,247,289</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,186,054	\$ 449,689
Investments	600,000	600,000
Accrued interest	461	461
Total restricted assets	<u>\$ 1,786,515</u>	<u>\$ 1,050,150</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	14,708,734	-
Equipment	637,951	946,704
Distribution system	30,085,060	-
Meters	1,007,823	-
Plant and improvements	-	13,333,736
Sewer lines and lifts	-	14,655,987
Improvements	-	-
Vehicles	479,275	929,294
Construction in progress	291,125	12,501,058
Total	<u>\$47,377,188</u>	<u>\$42,682,988</u>
Less accumulated depreciation	<u>(11,711,684)</u>	<u>(16,441,976)</u>
Net property, plant and equipment	<u>\$35,665,504</u>	<u>\$26,241,012</u>
Total noncurrent assets	<u>\$37,452,019</u>	<u>\$27,291,162</u>
Total Assets	<u>\$39,614,147</u>	<u>\$29,538,451</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 931,552	\$ 1,827,665	\$1,207,149
50	1,750,050	825,277
114,359	114,359	777,229
-	23,116	-
-	4,376	-
738,854	1,732,893	-
1,097	4,921	8,875
1,386	353,211	-
198,783	251,464	96,516
36,939	169,003	-
-	171,821	-
3,424	32,982	49
<u>\$ 2,026,444</u>	<u>\$ 6,435,861</u>	<u>\$2,915,095</u>
\$ -	\$ 1,635,743	\$ -
-	1,200,000	-
-	922	-
<u>\$ -</u>	<u>\$ 2,836,665</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,593,988	16,302,722	-
877,019	2,461,674	105,098
-	30,085,060	-
-	1,007,823	-
-	13,333,736	-
3,496,968	18,152,955	-
3,037,257	3,037,257	-
1,400,187	2,808,756	85,174
367,039	13,159,222	-
<u>\$15,112,391</u>	<u>\$105,172,567</u>	<u>\$ 190,272</u>
(5,818,350)	(33,972,010)	(110,234)
<u>\$ 9,294,041</u>	<u>\$ 71,200,557</u>	<u>\$ 80,038</u>
<u>\$ 9,294,041</u>	<u>\$ 74,037,222</u>	<u>\$ 80,038</u>
<u>\$11,320,485</u>	<u>\$ 80,473,083</u>	<u>\$2,995,133</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2009

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 102,860	\$ 136,810
Salaries payable	57,009	40,116
Contracts payable	216,185	1,374,059
Accrued vacation payable	76,491	72,472
Accrued interest payable	44,998	50,490
Due to other funds	66,627	4,117
Due to state government	19,736	-
Due to customers	72,601	-
General obligation bonds	334,816	256,916
General obligation notes	-	-
Revenue bonds	940,000	867,000
Prepaid interments	-	-
Unearned revenue	-	4,376
Total current liabilities	<u>\$ 1,931,323</u>	<u>\$ 2,806,356</u>
Long-term debt:		
General obligation bonds	\$ 2,095,538	\$ 3,549,598
General obligation notes	-	-
Revenue bonds	13,490,000	10,983,542
Unamortized bond discount	(92,715)	(130,000)
Net OPEB obligation	18,315	12,204
Total long-term debt	<u>\$15,511,138</u>	<u>\$14,415,344</u>
Total liabilities	<u>\$17,442,461</u>	<u>\$17,221,700</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,897,864	\$10,713,957
Restricted for:		
Bond retirement	1,786,515	1,050,150
Unrestricted	<u>1,487,307</u>	<u>552,644</u>
Total net assets	<u>\$22,171,686</u>	<u>\$12,316,751</u>

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 125,651	\$ 365,321	\$ 680,332
95,739	192,864	7,312
189,894	1,780,138	-
104,331	253,294	12,239
2,143	97,631	-
140,832	211,576	73,212
2,809	22,545	-
-	72,601	-
95,000	686,732	-
109,162	109,162	-
-	1,807,000	-
48,225	48,225	-
113,814	118,190	781,431
<u>\$1,027,600</u>	<u>\$ 5,765,279</u>	<u>\$1,554,526</u>
\$ 295,000	\$ 5,940,136	\$ -
196,890	196,890	-
-	24,473,542	-
-	(222,715)	-
23,809	54,328	-
<u>\$ 515,699</u>	<u>\$30,442,181</u>	<u>\$ -</u>
<u>\$1,543,299</u>	<u>\$36,207,460</u>	<u>\$1,554,526</u>
\$8,597,989	\$38,209,810	\$ 80,038
-	2,836,665	-
<u>1,179,197</u>	<u>3,219,148</u>	<u>1,360,569</u>
<u>\$9,777,186</u>	<u>\$44,265,623</u>	<u>\$1,440,607</u>
	<u>(1,133,511)</u>	
	<u>\$43,132,112</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 4,647,116	\$ 4,192,111
Health insurance contributions	-	-
Total operating revenues	<u>\$ 4,647,116</u>	<u>\$ 4,192,111</u>
Operating expenses:		
Business-type activities:		
Personal service	\$ 1,397,059	\$ 1,027,981
Contractual	950,726	526,187
Commodities	767,370	345,695
Other	30,363	9,103
Depreciation	1,275,487	838,513
Amortization	12,281	-
Total operating expenses	<u>\$ 4,433,286</u>	<u>\$ 2,747,479</u>
Operating income (loss)	<u>\$ 213,830</u>	<u>\$ 1,444,632</u>
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	198,056	197,018
Fines and forfeitures	-	-
Use of money and property	99,607	40,037
Special assessments	-	2,477
Miscellaneous	5,437	10,547
Interest	(581,319)	(348,373)
Loss on disposal of assets	-	-
Total nonoperating revenue (expense)	<u>\$ (278,219)</u>	<u>\$ (98,294)</u>
Income (loss) before contributions and transfers	<u>\$ (64,389)</u>	<u>\$ 1,346,338</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(15,000)	(15,000)
Capital contributions	-	270,810
Total contributions and transfers	<u>\$ (15,000)</u>	<u>\$ 255,810</u>
Change in net assets	\$ (79,389)	\$ 1,602,148
Net assets beginning of year	<u>22,251,075</u>	<u>10,714,603</u>
Net assets end of year	<u><u>\$22,171,686</u></u>	<u><u>\$12,316,751</u></u>

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Change in net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$3,585,282	\$12,424,509	\$ 242,124
-	-	2,253,541
<u>\$3,585,282</u>	<u>\$12,424,509</u>	<u>\$2,495,665</u>
\$2,224,248	\$4,649,288	\$2,731,219
562,098	2,039,011	17,182
341,419	1,454,484	29,367
2,709	42,175	-
408,211	2,522,211	14,813
-	12,281	-
<u>\$3,538,685</u>	<u>\$10,719,450</u>	<u>\$2,792,581</u>
\$ 46,597	\$ 1,705,059	\$ (296,916)
\$ 105,232	\$ 105,232	\$ 974,695
189,621	584,695	-
52,649	52,649	-
59,122	198,766	47,889
1,562	4,039	-
154,135	170,119	252
(26,260)	(955,952)	-
(12,172)	(12,172)	-
<u>\$ 523,889</u>	<u>\$ 147,376</u>	<u>\$1,022,836</u>
\$ 570,486	\$ 1,852,435	\$ 725,920
\$ 105,000	\$ 105,000	\$ -
(9,370)	(39,370)	(425,000)
-	270,810	-
<u>\$ 95,630</u>	<u>\$ 336,440</u>	<u>\$ (425,000)</u>
\$ 666,116	\$ 2,188,875	\$ 300,920
9,111,070		1,139,687
<u>\$9,777,186</u>		<u>\$1,440,607</u>
	(92,065)	
	<u>\$ 2,096,810</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2009

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	5,062,614	4,063,285
Cash paid to employees for services	(1,369,911)	(989,367)
Cash paid to other suppliers of goods or services	(2,408,626)	(1,081,434)
Cash paid for health and life insurance	-	-
Rent received from operating assets	31,804	-
Proceeds from miscellaneous items	-	-
Net cash provided (used) by operating activities	<u>\$ 1,315,881</u>	<u>\$ 1,992,484</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	(15,000)	(15,000)
Intergovernmental proceeds	85,694	177,316
Advance to other funds	-	-
Net cash provided (used) by non-capital financing activities	<u>\$ 70,694</u>	<u>\$ 162,316</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (816,939)	\$ (9,948,265)
Principal payments	(1,146,931)	(849,651)
Interest payments	(582,231)	(318,603)
Proceeds from issuance of bonds	725,000	9,039,942
Capital contributions	-	146,769
Net cash provided (used) for capital and related financing activities	<u>\$ (1,821,101)</u>	<u>\$ (1,929,808)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 5,650,000	\$ 2,600,000
Purchase of investments	(5,675,000)	(2,425,000)
Interest received	81,979	39,148
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ 56,979</u>	<u>\$ 214,148</u>
Net increase (decrease) in cash	\$ (377,547)	\$ 439,140
Cash beginning of year	<u>1,678,149</u>	<u>792,114</u>
Cash end of year	<u><u>\$ 1,300,602</u></u>	<u><u>\$ 1,231,254</u></u>
Noncash capital and financing activities:		
Capital contributions	<u>\$ -</u>	<u>\$ 124,041</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$2,186,062
-	-	300,458
3,568,689	12,694,588	-
(1,891,431)	(4,250,709)	(166,822)
(1,405,218)	(4,895,278)	(30,523)
-	-	(2,605,576)
-	31,804	-
<u>42,600</u>	<u>42,600</u>	<u>(73,115)</u>
<u>\$ 314,640</u>	<u>\$ 3,623,005</u>	<u>\$ (389,516)</u>
\$ 104,930	\$ 104,930	\$ 970,663
105,000	105,000	-
(9,370)	(39,370)	(425,000)
155,507	418,517	-
<u>(95,225)</u>	<u>(95,225)</u>	<u>-</u>
<u>\$ 260,842</u>	<u>\$ 493,852</u>	<u>\$ 545,663</u>
\$ (530,967)	\$ (11,296,171)	\$ (38,790)
(210,376)	(2,206,958)	-
(25,810)	(926,644)	-
390,000	10,154,942	-
<u>-</u>	<u>146,769</u>	<u>-</u>
<u>\$ (377,153)</u>	<u>\$ (4,128,062)</u>	<u>\$ (38,790)</u>
\$ 460,000	\$ 8,710,000	\$1,780,200
(460,000)	(8,560,000)	(1,675,563)
36,027	157,154	44,577
<u>9,800</u>	<u>9,800</u>	<u>-</u>
<u>\$ 45,827</u>	<u>\$ 316,954</u>	<u>\$ 149,214</u>
\$ 244,156	\$ 305,749	\$ 266,571
<u>687,396</u>	<u>3,157,659</u>	<u>940,578</u>
<u>\$ 931,552</u>	<u>\$ 3,463,408</u>	<u>\$1,207,149</u>
<u>\$ -</u>	<u>\$ 124,041</u>	<u>\$ -</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2009

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 213,830	\$1,444,632
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,287,768	838,513
Rental income	31,804	-
Miscellaneous income	-	-
Loss on sale of capital assets	-	-
Change in assets and liabilities:		
(Increase) decrease in receivables	50,860	(129,701)
(Increase) decrease in inventory	21,249	9,652
(Increase) decrease in due from other funds	3,108	-
(Increase) decrease in prepaid insurance	(1,557)	(2,242)
Increase (decrease) in accounts and contracts payable	(405,855)	(203,725)
Increase (decrease) in salaries payable	5,185	8,202
Increase (decrease) in accrued compensated absences	3,647	18,208
Increase (decrease) in due to other funds	66,627	(782)
Increase (decrease) in due to state government	8,470	-
Increase (decrease) in due to customers	12,430	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(2,477)
Increase (decrease) in net OPEB obligation	18,315	12,204
Net cash provided (used) by operating activities	<u>\$1,315,881</u>	<u>\$1,992,484</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 46,597	\$1,705,059	\$ (296,916)
408,211	2,534,492	14,813
-	31,804	-
89,849	89,849	-
12,172	12,172	-
(84,681)	(163,522)	206,968
2,605	33,506	-
-	3,108	(79,104)
(1,028)	(4,827)	(49)
(160,861)	(770,441)	(85)
11,457	24,844	1,610
6,179	28,034	1,264
(47,942)	17,903	(23,147)
428	8,898	-
-	12,430	-
7,845	7,845	-
-	(2,477)	(214,870)
23,809	54,328	-
<u>\$314,640</u>	<u>\$3,623,005</u>	<u>\$ (389,516)</u>

CITY OF MASON CITY, IOWA
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	<u>Firemen's Pension</u>	<u>Agency Fund</u>
ASSETS:		
Cash	\$17,506	\$ 345
Receivables:		
Property taxes	339	-
Accrued interest	26	-
Total assets	<u>\$17,871</u>	<u>\$ 345</u>
LIABILITIES:		
Accounts payable	<u>\$ -</u>	<u>\$ 345</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$17,871</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Firemen's Pension</u>
ADDITIONS:	
Employer contributions	\$25,170
Use of money and property	26
Total additions	<u>\$25,196</u>
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>9,424</u>
Change in net assets	\$15,772
Net assets beginning of year	<u>2,099</u>
Net assets end of year	<u><u>\$17,871</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Financial Reporting Entity

The City of Mason City is a political subdivision of the State of Iowa. It was first incorporated on December 21, 1869 and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services.

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council. The Foundation exists to support the MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit. The Authority's commissioners are appointed by the Mayor and approved by the Council. The Authority provides low-income housing to the citizens of Mason City. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

(2) Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

(A) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

(B) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Although the agency fund is fiduciary, it is not involved in the measurement of results of operations; therefore, measurement focus is not applied to it.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds, revenue from grant revenues is recorded as unearned revenue until they become available.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

The City of Mason City reports the following major governmental funds:

General Fund

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities.

Road Use Tax Fund

The Road Use Tax Fund accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these taxes to be used to maintain streets.

19th Street SW Overpass Fund

The 19th Street SW Overpass Fund (a capital project fund) accounts for the construction of the 19th Street SW overpass. A significant portion of the construction will be funded with federal and state grant funds.

The City reports the following major proprietary funds:

Water Fund

The Water Fund accounts for the operation and maintenance of the City's water system.

Sanitary Sewer Fund

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Special Revenue Funds account for revenues derived from specific sources which are required to be accounted for as separate funds.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term and special debt principal, interest, and related costs.

The Pension Trust Fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

The Agency Fund is to account for the collection of funds and purchase of U.S. Savings Bonds on behalf of City employees.

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, storm sewer, solid waste disposal, golf course, parking lots and ambulance.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(C) Assets, liabilities and net assets or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a-7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$40,003 and \$46,998 of investment income for the years ended June 30, 2009 and 2008, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2009, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$771,161 and \$147,046, respectively.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2009, were due by July 1, 2008, with the first half installment being delinquent after September 30, 2008, and the second half installment being delinquent after March 31, 2009. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The current tax receivable represents the 2009 levy certified on March 15, 2009, based on 2008 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2009, the revenue has been recorded as unearned revenue.

Inventories and Prepaid Items

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. All inventories are carried at lower of cost or market (first-in, first-out). The consumption method of accounting is applied to the business-type inventories.

Restricted Assets

Assets within the individual funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50 years
Improvements other than buildings	5 to 100 years
Machinery and equipment	3 to 20 years
Infrastructure	10 to 45 years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

Compensated Absences

City employees earn vacation and sick leave at rates dependent on years of service. Sick leave may be accumulated up to 960 hours but is forfeited if not used. Therefore, no accrual is recorded for accrued sick leave. Vacation leave is vested as earned, but must be used within one year or is forfeited. The City records these accumulations in the fund in which they are earned for governmental type funds as the City anticipates paying these accruals from expendable available financial resources. For proprietary type funds, these accumulations are recorded as liabilities.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Forest Park TIF, FMA Voluntary Acquisition, MacNider Museum Foundation special revenue funds; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

- a. Expenditures for each program:
 - Public Safety
 - Public Works
 - Health and Social Services
 - Culture and Recreation
 - Community and Economic Development
 - General Government
 - Debt Service
 - Capital Projects
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation

City Council action to legally enact the budget goes beyond the State requirement and includes budgets for individual funds except fiduciary funds. The City budget is prepared and reported on a modified accrual basis of accounting.

A City budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore, it is the City Council's policy that only state required budget amendments will be adopted. The City's budget was amended as prescribed and the effect of that amendment is shown in the following table.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2009 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 8,323,651	\$ 320,750	\$ 8,644,401	\$ 8,121,819
Public Works	2,897,856	1,213,800	4,111,656	2,879,684
Health and Social Services	777,906	139,210	917,116	750,863
Culture and Recreation	3,426,391	478,175	3,904,566	3,046,106
Community and Economic Development	5,485,536	630,000	6,115,536	1,693,168
General Government	5,067,765	419,320	5,487,085	2,531,895
Debt Service	2,830,133	399,500	3,229,633	2,342,993
Capital Projects	23,459,454	-	23,459,454	10,059,284
Business Type	19,240,244	6,305,350	25,545,594	11,687,574
Total	<u>\$71,508,936</u>	<u>\$9,906,105</u>	<u>\$81,415,041</u>	<u>\$49,113,386</u>

The fiscal year 2009 budget amendment resulted in an overall increase in the appropriation.

(E) Unbilled Revenues

The Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2009 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$332,370, \$333,616, \$22,916 and \$88,997, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2009 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$1,604,068 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(3) Cash and Investments - continued

The carrying amount and fair value of the City's investments at June 30, 2009 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 5,873,009
Equity securities	<u>218,562</u>
	\$ 6,091,571
Deposits classified as investments:	
Iowa Public Agency Investment Trust	1,604,068
Nonnegotiable certificates of deposit	<u>8,234,676</u>
Total	\$15,930,315
Less: Restricted investments	<u>1,640,198</u>
 Total unrestricted investments per balance sheet	 <u>\$14,290,117</u>

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments, further limited to no more than five percent from a single issuer. The City held no such investments during the year.

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2009 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 709,911	\$ 508,546
Road use tax	-	219,452
Nonmajor funds	367,952	413,057
Internal Service funds	<u>96,516</u>	<u>73,212</u>
Total governmental	\$1,174,379	\$1,214,267
Business-Type:		
Waterworks	\$ 52,681	\$ 66,627
Sewer rental	-	4,117
Nonmajor funds	<u>198,783</u>	<u>140,832</u>
Total business-type	\$ 251,464	\$ 211,576
 Total due to/from other funds	 <u>\$1,425,843</u>	 <u>\$1,425,843</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(4) Interfund Receivable and Payable Balances - continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$915,577. The remainder of these balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, these balances will be repaid within one year from year end.

(5) Interfund Transfers

Transfers in and out for the year ended June 30, 2009 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 924,344	\$ 245,000
Road use tax	1,000,300	15,000
Nonmajor funds	613,354	1,918,628
Internal service funds	-	425,000
Total governmental	<u>\$2,537,998</u>	<u>\$2,603,628</u>
Business-Type:		
Waterworks	\$ -	\$ 15,000
Sewer rental	-	15,000
Nonmajor funds	105,000	9,370
Total business-type	<u>\$ 105,000</u>	<u>\$ 39,370</u>
Total transfers	<u>\$2,642,998</u>	<u>\$2,642,998</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(6) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>4,597,464</u>	<u>12,867,130</u>	<u>3,365,514</u>	<u>14,099,080</u>
Total capital assets, not being depreciated	<u>\$ 7,231,820</u>	<u>\$12,867,130</u>	<u>\$3,365,514</u>	<u>\$ 16,733,436</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 9,612,197	\$ 691,409	\$ 691,093	\$ 9,612,513
Improvements other than buildings	18,790,082	603,563	-	19,393,645
Machinery and equipment	5,271,349	1,023,418	700,731	5,594,036
Vehicles	7,440,187	381,832	558,096	7,263,923
Infrastructure	<u>57,402,004</u>	<u>2,740,087</u>	<u>-</u>	<u>60,142,091</u>
Total capital assets being depreciated	<u>\$98,515,819</u>	<u>\$ 5,440,309</u>	<u>\$1,949,920</u>	<u>\$102,006,208</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 6,059,325	\$ 225,250	\$ 572,895	\$ 5,711,680
Improvements other than buildings	4,571,818	880,500	-	5,452,318
Machinery and equipment	3,443,874	400,612	646,985	3,197,501
Vehicles	4,964,649	452,768	483,599	4,933,818
Infrastructure	<u>19,732,147</u>	<u>2,097,699</u>	<u>-</u>	<u>21,829,846</u>
Total accumulated depreciation	<u>\$38,771,813</u>	<u>\$ 4,056,829</u>	<u>\$1,703,479</u>	<u>\$ 41,125,163</u>
Total capital assets, being depreciated, net	<u>\$59,744,006</u>	<u>\$ 1,383,480</u>	<u>\$ 246,441</u>	<u>\$ 60,881,045</u>
Governmental activities capital assets, net	<u>\$66,975,826</u>	<u>\$14,250,610</u>	<u>\$3,611,955</u>	<u>\$ 77,614,481</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 363,214
Public works	3,111,032
Health and social services	8,078
Culture and recreation	442,302
Community and economic development	65,313
General government	52,077
Internal service funds depreciation is charged to various functions based on their usage of assets	14,813
Total depreciation expense-governmental activities	<u>\$4,056,829</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(6) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	5,234,606	11,514,478	3,589,862	13,159,222
Total capital assets, not being depreciated	<u>\$10,057,968</u>	<u>\$11,514,478</u>	<u>\$3,589,862</u>	<u>\$17,982,584</u>
Capital assets, being depreciated:				
Buildings and structures	\$16,302,722	\$ -	\$ -	\$16,302,722
Improvements other than buildings	3,035,230	2,027	-	3,037,257
Machinery and equipment	2,339,752	272,845	150,923	2,461,674
Vehicles	2,441,201	576,287	208,732	2,808,756
Collection and distribution systems	58,847,444	3,732,130	-	62,579,574
Total capital assets being depreciated	<u>\$82,966,349</u>	<u>\$ 4,583,289</u>	<u>\$ 359,655</u>	<u>\$87,189,983</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 2,504,232	\$ 390,101	\$ -	\$ 2,894,333
Improvements other than buildings	2,796,515	25,454	-	2,821,969
Machinery and equipment	1,538,316	175,368	138,751	1,574,933
Vehicles	1,421,784	178,808	189,333	1,411,259
Collection and distribution systems	23,517,036	1,752,480	-	25,269,516
Total accumulated depreciation	<u>\$31,777,883</u>	<u>\$ 2,522,211</u>	<u>\$ 328,084</u>	<u>\$33,972,010</u>
Total capital assets, being depreciated, net	<u>\$51,188,466</u>	<u>\$ 2,061,078</u>	<u>\$ 31,571</u>	<u>\$53,217,973</u>
Business-type activities capital assets, net	<u>\$61,246,434</u>	<u>\$13,575,556</u>	<u>\$3,621,433</u>	<u>\$71,200,557</u>

Depreciation expense was charged to the following business-type activities:

Business-type activities:	
Water works	\$1,275,487
Sewer rental	838,513
Other business-type funds	408,211
Total depreciation expense-business-type activities	<u>\$2,522,211</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(7) Pension and Retirement Systems

The City maintains three pension plans for employees in various departments.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 was \$478,135, \$436,724, and \$403,757 respectively, equal to the required contribution for each year.

Municipal Fire and Police Retirement System of Iowa

(A) Plan Description

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a multi-employer, cost sharing, defined benefit pension plan for the exclusive benefit of eligible employees of participating cities (substantially all full-time employees of the respective cities' fire and police departments). MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information for MFPRSI. The financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, IA 50322 or by calling 1-515-254-9200.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2009, members contributed 9.35% of regular earnable compensation and the City contributed 18.75% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2009, 2008 and 2007 was \$856,662, \$1,139,797, and \$1,105,526 respectively, equal to the required contributions for each year.

Firemen Pension Plan

(A) Plan Description

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2009, there is one individual receiving benefits in the fire plan.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(7) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2009 is as follows:

	<u>Fire</u>
Cash and investments	\$17,505
Fund equity	17,871
Pensions paid	9,424

(B) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues for the period.

Method Used to Value Investments

Investments, if any, are non-participating certificates of deposit and are valued at historical cost.

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
2009	\$ 26	\$25,170	\$25,196	\$ 9,424
2008	-	15,370	15,370	12,147
2007	210	-	210	11,745
2006	391	-	391	11,432
2005	-	-	-	11,127
2004	64	3,696	3,760	10,832
2003	723	-	723	10,546
2002	2,659	86	2,745	10,166
2001	3,113	-	3,113	9,769
2000	3,378	-	3,378	9,332

(8) Deferred Compensation Plan

The City offers its employees several deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation in the plan is optional.

The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the basic financial statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(9) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.2% to 4.05% Corporate Purpose bond payable, issued 10/01/02	\$ 2,375,000	\$ -
3.0% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	655,000	-
3.0% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	1,438,132	1,526,868
3.5% to 3.6% Essential Corporate Purpose bond payable, issued 11/1/05	580,000	1,460,000
3.65% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	2,380,000	-
3.65% Taxable General Obligation bond payable, issued 9/4/07	1,295,000	2,525,000
3.25% to 4.1% General Obligation bond payable, issued 7/1/08	2,305,000	725,000
3.2% to 4.35% General Obligation bond payable, issued 7/1/08	3,110,000	390,000
3.3% General Obligation Capital Loan note payable, issued 8/15/05	214,958	-
3.89% Taxable General Obligation Capital Loan note payable, issued 12/1/06	-	65,000
5.89% Taxable General Obligation Capital Loan note issued 9/1/07	100,000	-
2.95% General Obligation Capital Loan note payable, issued 5/1/08	570,000	-
4.125% General Obligation Capital Loan note payable, issued 5/5/04	-	241,052
4.0% to 5.6% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,400,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	169,339	-
3.0% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	11,607,285
4.0% Water Revenue bond payable, issued 9/1/06	-	1,500,000
4.0% to 4.55% Water Revenue bond payable, issued 9/1/07	-	1,230,000
3.0% Sewer Revenue bond payable, issued 12/2/92	-	635,000
3.9% Sewer Revenue bond payable, issued 9/1/06	-	1,410,000
3.0% Sewer Revenue bond payable, issued 8/15/08	-	9,675,542
Totals	<u>\$16,592,429</u>	<u>\$32,990,747</u>

Bonded Debt:

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$21,956,010 of general obligation bonds outstanding as of June 30, 2009. Unmatured general obligation bonds to be paid by governmental funds totaled \$15,023,090. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$6,932,920.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(9) Long-Term Debt - continued

During the year ended June 30, 2009, the City issued \$6,530,000 of general obligation bonds. These bonds were used to finance the construction, reconstruction and repair of various public works, parks and utility-related improvements.

On June 19, 2009, the City awarded the sale of \$10,110,000 of general obligation bonds to the most favorable bidder and received a 1% advance on the proceeds in the amount of \$101,100. The bond issue closing was on July 1, 2009. Due to the long-term nature of the underlying issuance of bonds, the advance is recorded as a long-term liability.

Water and Sewer Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$26,057,827 of revenue bonds outstanding as of June 30, 2009, payable through 2029. The City, as a requirement of the bonds, maintains certain reserve requirements while these bonds are outstanding. These reserves include a) one-twelfth of the annual interest and principal due in the succeeding year plus b) the lesser of 10% of the original note proceeds or the maximum amount of principal and interest due in any remaining year of the individual issue or 25% of the amount required to be deposited to a) since issue of the bond. One bond also requires the reservation of an improvement amount equal to the lesser of \$5,000 times the number of months since issuance or \$250,000. The combined total required to be reserved is \$2,164,639. The City has reserved \$2,836,665 as of June 30, 2009. The combined principal and interest paid for the current year and total customer net revenues were \$2,265,458 and \$4,333,214, respectively, amounting to approximately 52% of net revenues.

On February 23, 2007, the City issued \$879,400 Sewer Revenue Capital Loan notes through the State of Iowa Revolving Fund to finance waste water treatment plant improvements. The project was in the planning and design phase, which qualified the City for a 0.0% interim loan the City rolled into the long-term State of Iowa Revolving Fund loan on August 15, 2008.

Tax Increment Financing Revenue Debt

The City issues bonds to finance its contribution to various development projects in the tax increment districts. The principal and interest on the bonds are paid with the additional taxes generated by the various development projects. As of June 30, 2009, there were \$1,569,339 of tax increment financing bonds outstanding.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(9) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2009, was as follows:

	July 1, 2008	New Issues	Payments	June 30, 2009	Due Within One Year
General obligation:					
Governmental	\$11,110,221	\$ 5,415,000	\$1,502,131	\$15,023,090	\$1,953,268
Business-type activities:					
Water	1,937,285	725,000	231,931	2,430,354	334,816
Sewer	3,966,165	-	159,651	3,806,514	256,916
Ambulance	283,280	-	42,228	241,052	44,162
Storm sewer	127,500	390,000	62,500	455,000	160,000
Revenue:					
Governmental tax increment financing	1,727,044	-	157,705	1,569,339	164,377
Business-type:					
Water	15,240,004	12,281	915,000	14,337,285	940,000
Sewer	3,500,600	9,991,342	1,771,400	11,720,542	867,000
Total	<u>\$37,892,099</u>	<u>\$16,533,623</u>	<u>\$4,842,546</u>	<u>\$49,583,176</u>	<u>\$4,720,539</u>

At June 30, 2009, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,600,726,940</u>
Debt limit - 5% of total valuation	\$80,036,347
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>23,206,321</u>
Legal debt margin	<u>\$56,830,026</u>

A summary of bond principal and interest maturities by type of bond is as follows:

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,953,268	\$ 551,468	\$ 795,894	\$ 253,561	\$ 2,749,162	\$ 805,029
2011	2,015,502	484,302	750,459	227,680	2,765,961	711,982
2012	1,940,244	414,095	872,676	200,991	2,812,920	615,086
2013	1,997,520	344,088	897,397	170,455	2,894,917	514,543
2014	1,569,646	273,992	828,404	138,259	2,398,050	412,251
2015-2019	5,546,910	573,155	1,923,090	339,335	7,470,000	912,490
2020-2024	-	-	865,000	90,240	865,000	90,240
2025-2029	-	-	-	-	-	-
	<u>\$15,023,090</u>	<u>\$2,641,100</u>	<u>\$6,932,920</u>	<u>\$1,420,521</u>	<u>\$21,956,010</u>	<u>\$4,061,621</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 164,377	\$ 80,898	\$ 1,807,000	\$ 920,267	\$ 1,971,377	\$1,001,165
2011	171,374	73,401	1,867,000	868,025	2,038,374	941,426
2012	183,471	65,129	1,794,000	808,600	1,977,471	873,729
2013	190,372	55,932	1,862,000	749,420	2,052,372	805,352
2014	155,000	46,289	1,922,000	687,850	2,077,000	734,139
2015-2019	704,745	99,283	8,842,000	2,518,935	9,546,745	2,618,218
2020-2024	-	-	7,315,000	1,221,450	7,315,000	1,221,450
2025-2029	-	-	4,066,000	373,740	4,066,000	373,740
	<u>\$1,569,339</u>	<u>\$420,932</u>	<u>\$29,475,000</u>	<u>\$8,148,287</u>	<u>\$31,044,339</u>	<u>\$8,569,219</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(9) Long-Term Debt - continued

Changes in Other Long-Term Liabilities

Other long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>July 1, 2008</u>	<u>New Issues</u>	<u>Payments</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Business-type activities:					
Capital leases	<u>\$105,480</u>	<u>\$ -</u>	<u>\$105,480</u>	<u>\$ -</u>	<u>\$ -</u>

Industrial Revenue Bonds

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2009, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$4,900,000.

Bonds authorized and unissued

At June 30, 2009, the City had not drawn \$3,194,458 of authorized sewer revenue debt from the Iowa Department of Natural Resources sewer revolving debt fund. The City anticipates drawing the remaining debt during the subsequent years. The debt is being used to finance the wastewater treatment plant projects.

(10) Contingent Liabilities

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(11) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Blue Cross and Blue Shield of Iowa. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,529,000 for the year ended June 30, 2009 are covered by commercial insurance.

All funds of the City participate in the program and make payments to the Employee Health Care Fund (an Internal Service Fund) based on premiums recommended by the program administrator based on historical information. The premiums are based on the amounts needed to pay current year claims and provide a reserve for claims incurred but not reported during the current year.

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2009 is \$457,800 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2009 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$661,207	\$2,320,196	\$2,358,403	\$623,000
Prior year	655,026	2,253,670	2,247,489	661,207

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance are paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years. Settled claims from these risks have exceeded commercial insurance coverage due to the flood of June, 2008. However, substantially all excess costs were reimbursed by disaster grants administered by the State of Iowa and FEMA.

(12) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
Westside TIF	\$190,160
Housing	297
FMA Voluntary Acquisition	1,226
CEBA	355
FEMA Tornado Shelter	4,975
Internal Service Fund:	
Central Services	31,267

The deficits in the Westside TIF fund will eventually be eliminated through the retention of property tax proceeds rather than the reinvestment in current projects or debt reduction.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(12) Deficit Fund Balances/Net Assets - continued

The deficit balances in the FMA Voluntary Acquisition, CEBA and FEMA Tornado Shelter funds will be eliminated by interfund transfers from the General Fund.

The Central Services fund deficit will be eliminated by an increase in the rate charged other departments.

(13) Termination Benefits

As of June 30, 2009, the City had one terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(14) Other Postemployment Benefits

Plan Descriptions and Funding Policy

The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. Employees must be a minimum of 55 years old and currently be enrolled in the sponsored health insurance plan at the time of retirement to participate. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

Funding Policy

The City, with assistance from their third-party administrators, establishes and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on pay-as-you-go financing. For fiscal year 2009, the City contributed \$35,298 and retirees receiving benefits contributed \$150,312 through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2009 is the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(14) Other Postemployment Benefits - continued

Annual required contribution	\$217,179
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost/expense	\$217,179
Contributions and payments made	<u>35,298</u>
Increase in net OPEB obligation	\$181,881
Net OPEB obligation July 1, 2008	-
Net OPEB obligation June 30, 2009	<u>\$181,881</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009:

<u>Fiscal Year Ended</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net OPEB</u>
<u>June 30, 2009</u>	<u>OPEB Cost</u>	<u>of annual</u>	<u>Obligation</u>
	<u>\$217,179</u>	<u>OPEB Cost</u>	<u>\$181,881</u>
		<u>Contributed</u>	
		16.3%	

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$937,435. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$13,144,648, and the ratio of the UAAL to the covered payroll was 7.41%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be present as supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate assuming funding on a pay as you go basis and an annual healthcare cost trend rate of 6%.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(14) Other Postemployment Benefits - continued

The amortization of the UAAL is being amortized as a level percentage of projected payrolls over a thirty-year time period.

(15) Commitments

At June 30, 2009, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Sanitary sewer projects	\$12,136,772	\$10,563,497
Street projects	10,976,288	5,911,388
Library projects	7,517,502	822,252
Airport projects	6,907,226	6,876,724
Park projects	1,848,459	1,844,836
Storm sewer projects	1,022,900	429,170
Water projects	997,915	250,643
Animal control projects	780,838	715,671
Other	211,639	51,032
Total	<u>\$42,399,539</u>	<u>\$27,465,213</u>

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$4,838,097 during the year ended June 30, 2009 of which \$4,714,045 was competitively bid.

(17) Subsequent Events

The City awarded contracts subsequent to June 30 for the following projects:

Sanitary sewer projects	\$ 954,450
Street projects	526,967
Library projects	263,972
Ambulance projects	136,326
Police projects	114,896
Other projects	41,889
	<u>\$2,038,500</u>

The City issued \$10,110,000 of general obligation bonds dated July 1, 2009 payable over a twenty-year period at interest rates ranging from 2.5% to 4.375%.

(18) New Governmental Accounting Standards Board (GASB) Standards

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures*, an Amendment of GASB Statements No. 25 and No.27 during the current fiscal year ended June 30, 2009.

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the City. The statements, which might impact the City are as follows:

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(18) New Governmental Accounting Standards Board (GASB) Standards - continued

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2008, will be effective for the City for the fiscal year ended June 30, 2010. This statement establishes accounting and financial reporting standards for intangible assets, including easements, water rights, timber rights, patents, trademarks and computer software.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June, 2008, will be effective for the City for the fiscal year ended June 30, 2010. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments.

(19) Changes to Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards and various supporting schedules included in the Compliance Section were changed. Expenditures and information related to the Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458, a major program, were not included in the original report.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MASON CITY, IOWA
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
2009	7/1/2009	\$ -	\$937,435	\$937,435	0.00%	\$13,144,648	7.41%

Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2009.

The cost method used to determine the ARC is the frozen entry age actuarial cost method.

There are no plan assets.

Economic assumptions are as follows: health care cost trend rates of 6%; discount rate of 2.5%.

The amortization method is open period, level dollar.

**SUPPLEMENTARY
INFORMATION**

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2009

	<u>ESGP</u>	<u>ADDI</u>	<u>Housing</u>
ASSETS:			
Cash	\$195	\$ 1,989	\$ -
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Due from other funds	-	-	-
Due from state government	-	23,787	70,378
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$195</u>	<u>\$25,776</u>	<u>\$70,378</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,200
Salaries payable	-	9	198
Contracts payable	-	-	15,846
Due to other funds	-	-	51,431
Due to state government	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 9</u>	<u>\$70,675</u>
Fund balance:			
Reserved for:			
Museum funding	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	195	25,767	(297)
Total fund balance	<u>\$195</u>	<u>\$25,767</u>	<u>\$ (297)</u>
Total liabilities and fund balance	<u>\$195</u>	<u>\$25,776</u>	<u>\$70,378</u>

(continued)

<u>City Administered Grants</u>	<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>
\$184,616	\$329,999	\$ -	\$9,389
-	200,000	-	-
-	4,349	91	-
-	1,332	-	-
-	-	-	-
36,309	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$220,925</u>	<u>\$535,680</u>	<u>\$ 91</u>	<u>\$9,389</u>
\$ 66,687	\$ 6,927	\$ -	\$ 150
-	-	-	-
-	-	-	-
-	-	190,251	-
-	-	-	-
154,238	-	-	-
<u>\$220,925</u>	<u>\$ 6,927</u>	<u>\$ 190,251</u>	<u>\$ 150</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	528,753	(190,160)	9,239
<u>\$ -</u>	<u>\$528,753</u>	<u>\$ (190,160)</u>	<u>\$9,239</u>
<u>\$220,925</u>	<u>\$535,680</u>	<u>\$ 91</u>	<u>\$9,389</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2009

	<u>Gateway TIF</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>
ASSETS:			
Cash	\$ -	\$ 173,380	\$ 28,011
Investments	-	2,984,503	2,367,087
Receivables:			
Property taxes	10,578	341,242	254,071
Accrued interest	-	20,238	13,156
Due from other funds	-	-	-
Due from state government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$10,578</u>	<u>\$3,519,363</u>	<u>\$2,662,325</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	-	-
Contracts payable	-	-	-
Due to other funds	8,221	-	-
Due to state government	-	-	-
Unearned revenue	-	335,000	250,000
Total liabilities	<u>\$ 8,221</u>	<u>\$ 335,000</u>	<u>\$ 250,000</u>
Fund balance:			
Reserved for:			
Museum funding	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	2,357	3,184,363	2,412,325
Total fund balance	<u>\$ 2,357</u>	<u>\$3,184,363</u>	<u>\$2,412,325</u>
Total liabilities and fund balance	<u>\$10,578</u>	<u>\$3,519,363</u>	<u>\$2,662,325</u>

(continued)

<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>
\$ 97,705	\$128,116	\$276,566	\$69,217
-	377,050	427,512	-
491,379	-	-	-
-	572	-	-
264,307	-	-	-
-	-	-	10,024
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$853,391</u>	<u>\$505,738</u>	<u>\$704,078</u>	<u>\$79,241</u>
\$ -	\$ 64	\$ -	\$ 9,416
-	-	-	948
-	-	-	-
-	-	-	14,596
-	-	-	423
481,987	-	-	-
<u>\$481,987</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$25,383</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
371,404	505,674	704,078	53,858
<u>\$371,404</u>	<u>\$505,674</u>	<u>\$704,078</u>	<u>\$53,858</u>
<u>\$853,391</u>	<u>\$505,738</u>	<u>\$704,078</u>	<u>\$79,241</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2009

	<u>Total Special Revenue</u>	<u>Debt Service</u>	<u>Local Option Capital Improvement</u>
ASSETS:			
Cash	\$1,299,183	\$ 155,640	\$ 671,868
Investments	6,356,152	150,000	500,000
Receivables:			
Property taxes	1,101,710	2,066,563	-
Accrued interest	35,298	663	2,236
Due from other funds	264,307	-	-
Due from state government	140,498	-	385,686
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$9,197,148</u>	<u>\$2,372,866</u>	<u>\$1,559,790</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 86,444	\$ 30	\$ 25,314
Salaries payable	1,155	-	-
Contracts payable	15,846	-	12,862
Due to other funds	264,499	60,000	-
Due to state government	423	-	-
Unearned revenue	1,221,225	2,044,978	-
Total liabilities	<u>\$1,589,592</u>	<u>\$2,105,008</u>	<u>\$ 38,176</u>
Fund balance:			
Reserved for:			
Museum funding	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	267,858	-
Unreserved	7,607,556	-	1,521,614
Total fund balance	<u>\$7,607,556</u>	<u>\$ 267,858</u>	<u>\$1,521,614</u>
Total liabilities and fund balance	<u>\$9,197,148</u>	<u>\$2,372,866</u>	<u>\$1,559,790</u>

See Accompanying Independent Auditor's Report.

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$243,794	\$ 243,794	\$ 2,370,485
-	633,638	633,638	7,639,790
-	-	-	3,168,273
-	9,301	9,301	47,498
103,645	-	103,645	367,952
-	-	-	526,184
42,053	-	42,053	42,053
440,198	-	440,198	440,198
4,604	-	4,604	4,604
<u>\$590,500</u>	<u>\$886,733</u>	<u>\$1,477,233</u>	<u>\$14,607,037</u>
\$ -	\$ -	\$ -	\$ 111,788
-	-	-	1,155
-	-	-	28,708
88,558	-	88,558	413,057
-	-	-	423
-	-	-	3,266,203
<u>\$ 88,558</u>	<u>\$ -</u>	<u>\$ 88,558</u>	<u>\$ 3,821,334</u>
\$ -	\$633,638	\$ 633,638	\$ 633,638
486,855	-	486,855	486,855
-	-	-	267,858
15,087	253,095	268,182	9,397,352
<u>\$501,942</u>	<u>\$886,733</u>	<u>\$1,388,675</u>	<u>\$10,785,703</u>
<u>\$590,500</u>	<u>\$886,733</u>	<u>\$1,477,233</u>	<u>\$14,607,037</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>ESGP</u>	<u>ADDI</u>	<u>Housing</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	47,596	122,712
Charges for service	-	-	-
Use of money and property	-	-	-
Miscellaneous	74,378	824	10,000
Refunds	-	-	-
Total revenues	<u>\$74,378</u>	<u>\$48,420</u>	<u>\$132,712</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	48,164	50,547	145,058
General government	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$48,164</u>	<u>\$50,547</u>	<u>\$145,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$26,214</u>	<u>\$ (2,127)</u>	<u>\$ (12,346)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	-	5,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Net change in fund balances	\$26,214	\$ (2,127)	\$ (7,346)
Fund balance beginning of year	<u>(26,019)</u>	<u>27,894</u>	<u>7,049</u>
Fund balance end of year	<u>\$ 195</u>	<u>\$25,767</u>	<u>\$ (297)</u>

(continued)

City Administered Grants	Community Growth TIF	Westside TIF	Forest Park TIF
\$ -	\$ -	\$ -	\$ -
-	895,430	10,869	-
-	-	-	-
83,365	-	-	-
-	-	22,133	-
-	8,221	91	-
-	-	-	-
-	177,599	-	-
<u>\$83,365</u>	<u>\$1,081,250</u>	<u>\$ 33,093</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
83,365	-	10,000	-
-	-	-	-
-	210,910	-	1,225
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$83,365</u>	<u>\$ 210,910</u>	<u>\$ 10,000</u>	<u>\$ 1,225</u>
<u>\$ -</u>	<u>\$ 870,340</u>	<u>\$ 23,093</u>	<u>\$ (1,225)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	(448,531)	-	-
<u>\$ -</u>	<u>\$ (448,531)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 421,809	\$ 23,093	\$ (1,225)
-	106,944	(213,253)	10,464
<u>\$ -</u>	<u>\$ 528,753</u>	<u>\$ (190,160)</u>	<u>\$ 9,239</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Gateway TIF</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>
REVENUES:			
Property taxes	\$ -	\$ 459,856	\$ 299,907
TIF revenues	387,325	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Use of money and property	-	130,306	31,085
Miscellaneous	-	-	-
Refunds	-	-	-
Total revenues	<u>\$387,325</u>	<u>\$ 590,162</u>	<u>\$ 330,992</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ 449,311	\$ 324,302
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community & economic development	-	-	-
General government	-	-	-
Capital projects	377,962	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$377,962</u>	<u>\$ 449,311</u>	<u>\$ 324,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,363</u>	<u>\$ 140,851</u>	<u>\$ 6,690</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 9,363	\$ 140,851	\$ 6,690
Fund balance beginning of year	<u>(7,006)</u>	<u>3,043,512</u>	<u>2,405,635</u>
Fund balance end of year	<u>\$ 2,357</u>	<u>\$3,184,363</u>	<u>\$2,412,325</u>

(continued)

<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>
\$490,754	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	10,024
-	675	-	34,789
-	35,893	(116,996)	39,385
-	42,986	12,408	10,699
-	-	-	-
<u>\$490,754</u>	<u>\$ 79,554</u>	<u>\$ (104,588)</u>	<u>\$94,897</u>
\$130,832	\$ -	\$ -	\$ -
32,391	-	-	-
26,146	-	-	-
98,394	201,554	48,468	53,762
25,876	-	-	16,197
109,000	-	-	-
-	940	-	4,354
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$422,639</u>	<u>\$ 202,494</u>	<u>\$ 48,468</u>	<u>\$74,313</u>
<u>\$ 68,115</u>	<u>\$ (122,940)</u>	<u>\$ (153,056)</u>	<u>\$20,584</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 68,115	\$ (122,940)	\$ (153,056)	\$20,584
<u>303,289</u>	<u>628,614</u>	<u>857,134</u>	<u>33,274</u>
<u><u>\$371,404</u></u>	<u><u>\$ 505,674</u></u>	<u><u>\$ 704,078</u></u>	<u><u>\$53,858</u></u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total Special Revenue</u>	<u>Debt Service</u>	<u>Local Option Capital Improvement</u>
REVENUES:			
Property taxes	\$1,250,517	\$1,473,491	\$ -
TIF revenues	1,293,624	-	-
Other taxes	-	-	1,639,064
Intergovernmental	263,697	-	573,243
Charges for services	57,597	-	-
Use of money and property	127,985	15,715	28,504
Miscellaneous	151,295	-	46,750
Refunds	177,599	-	-
Total revenues	<u>\$3,322,314</u>	<u>\$1,489,206</u>	<u>\$ 2,287,561</u>
EXPENDITURES:			
Current:			
Public safety	\$ 904,445	\$ -	\$ -
Public works	32,391	-	-
Health & social services	26,146	-	-
Culture & recreation	402,178	-	-
Community & economic development	379,207	-	-
General government	109,000	-	-
Capital projects	595,391	-	2,180,735
Debt service:			
Principal retirement	-	1,659,835	-
Interest	-	634,734	-
Contractual	-	48,424	-
Total expenditures	<u>\$2,448,758</u>	<u>\$2,342,993</u>	<u>\$ 2,180,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 873,556</u>	<u>\$ (853,787)</u>	<u>\$ 106,826</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 247,000	\$ -
Transfers in	5,000	598,984	-
Transfers out	<u>(448,531)</u>	<u>(87,142)</u>	<u>(1,315,155)</u>
Total other financing sources (uses)	<u>\$ (443,531)</u>	<u>\$ 758,842</u>	<u>\$ (1,315,155)</u>
Net change in fund balances	\$ 430,025	\$ (94,945)	\$ (1,208,329)
Fund balance beginning of year	<u>7,177,531</u>	<u>362,803</u>	<u>2,729,943</u>
Fund balance end of year	<u>\$7,607,556</u>	<u>\$ 267,858</u>	<u>\$ 1,521,614</u>

See Accompanying Independent Auditor's Report.

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ 2,724,008
-	-	-	1,293,624
-	-	-	1,639,064
-	-	-	836,940
8,362	-	8,362	65,959
-	26,075	26,075	198,279
-	25,187	25,187	223,232
-	-	-	177,599
<u>\$ 8,362</u>	<u>\$ 51,262</u>	<u>\$ 59,624</u>	<u>\$ 7,158,705</u>
\$ -	\$ -	\$ -	\$ 904,445
-	-	-	32,391
-	-	-	26,146
-	1,516	1,516	403,694
-	-	-	379,207
-	-	-	109,000
-	-	-	2,776,126
-	-	-	1,659,835
-	-	-	634,734
-	-	-	48,424
<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,516</u>	<u>\$ 6,974,002</u>
<u>\$ 8,362</u>	<u>\$ 49,746</u>	<u>\$ 58,108</u>	<u>\$ 184,703</u>
\$ -	\$ -	\$ -	\$ 247,000
9,370	-	9,370	613,354
-	(67,800)	(67,800)	(1,918,628)
<u>\$ 9,370</u>	<u>\$ (67,800)</u>	<u>\$ (58,430)</u>	<u>\$ (1,058,274)</u>
\$ 17,732	\$ (18,054)	\$ (322)	\$ (873,571)
<u>484,210</u>	<u>904,787</u>	<u>1,388,997</u>	<u>11,659,274</u>
<u>\$501,942</u>	<u>\$886,733</u>	<u>\$1,388,675</u>	<u>\$10,785,703</u>

CITY OF MASON CITY, IOWA
ESGP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	\$100,000	\$ -	\$ (100,000)
Miscellaneous	-	74,378	74,378
Total revenues	<u>\$100,000</u>	<u>\$ 74,378</u>	<u>\$ (25,622)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$100,000	\$ 48,164	\$ 51,836
Net change in fund balance	\$ -	\$ 26,214	\$ 26,214
Fund balance beginning of year	-	(26,019)	(26,019)
Fund balance end of year	<u>\$ -</u>	<u>\$ 195</u>	<u>\$ 195</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 ADDI SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$250,890	\$47,596	\$(203,294)
Miscellaneous	-	824	824
Total revenues	<u>\$250,890</u>	<u>\$48,420</u>	<u>\$(202,470)</u>
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	\$ 9,100	\$ 1,494	\$ 7,606
Contractual	241,790	49,053	192,737
Total expenditures	<u>\$250,890</u>	<u>\$50,547</u>	<u>\$ 200,343</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$(2,127)	\$ (2,127)
Other financing sources (uses):			
Transfers in	-	-	-
Net change in fund balance	\$ -	\$(2,127)	\$ (2,127)
Fund balance beginning of year	-	27,894	27,894
Fund balance end of year	<u>\$ -</u>	<u>\$25,767</u>	<u>\$ 25,767</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$185,000	\$122,712	\$ (62,288)
Miscellaneous	-	10,000	10,000
Total revenues	<u>\$185,000</u>	<u>\$132,712</u>	<u>\$ (52,288)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 11,370	\$ 4,585	\$ 6,785
Contractual	173,630	140,473	33,157
Total expenditures	<u>\$185,000</u>	<u>\$145,058</u>	<u>\$ 39,942</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (12,346)	\$ (12,346)
Other financing sources:			
Transfers in	\$ -	\$ 5,000	\$ 5,000
Net change in fund balance	\$ -	\$ (7,346)	\$ (7,346)
Fund balance beginning of year	-	7,049	7,049
Fund balance end of year	<u>\$ -</u>	<u>\$ (297)</u>	<u>\$ (297)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 CITY ADMINISTERED GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$12,000	\$83,365	\$ 71,365
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$12,000	\$36,299	\$(24,299)
Commodities	-	10	(10)
Other	-	47,056	(47,056)
Total community & economic development program	<u>\$12,000</u>	<u>\$83,365</u>	<u>\$(71,365)</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance beginning of year	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 COMMUNITY GROWTH TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$ 908,593	\$ 895,430	\$ (13,163)
Intergovernmental	30,000	-	(30,000)
Use of money and property	-	8,221	8,221
Refunds	-	177,599	177,599
Total revenues	<u>\$ 938,593</u>	<u>\$1,081,250</u>	<u>\$ 142,657</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 30,000	\$ -	\$ 30,000
Contractual	2,180,173	-	2,180,173
Commodities	125,000	-	125,000
Total community & economic development	<u>\$ 2,335,173</u>	<u>\$ -</u>	<u>\$ 2,335,173</u>
Capital projects	-	210,910	(210,910)
Total expenditures	<u>\$ 2,335,173</u>	<u>\$ 210,910</u>	<u>\$ 2,124,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,396,580)</u>	<u>\$ 870,340</u>	<u>\$ 2,266,920</u>
Other financing sources (uses):			
Issuance of bonds	\$ 2,075,000	\$ -	\$ (2,075,000)
Transfers out	(524,901)	(448,531)	76,370
Total other financing sources (uses)	<u>\$ 1,550,099</u>	<u>\$ (448,531)</u>	<u>\$ (1,998,630)</u>
Net change in fund balance	\$ 153,519	\$ 421,809	\$ 268,290
Fund balance beginning of year	-	106,944	106,944
Fund balance end of year	<u>\$ 153,519</u>	<u>\$ 528,753</u>	<u>\$ 375,234</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 WESTSIDE TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$10,000	\$ 10,869	\$ 869
Charges for service	-	22,133	22,133
Use of money and property	-	91	91
Total revenues	<u>\$10,000</u>	<u>\$ 33,093</u>	<u>\$ 23,093</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	<u>\$10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ 23,093	\$ 23,093
Fund balance beginning of year	-	<u>(213,253)</u>	<u>(213,253)</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ (190,160)</u>	<u>\$ (190,160)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 GATEWAY TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$392,932	\$387,325	\$ (5,607)
EXPENDITURES:			
Capital projects	-	<u>377,962</u>	<u>(377,962)</u>
Net change in fund balance	\$392,932	\$ 9,363	\$ (383,569)
Fund balance beginning of year	-	<u>(7,006)</u>	<u>(7,006)</u>
Fund balance end of year	<u>\$392,932</u>	<u>\$ 2,357</u>	<u>\$ (390,575)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
POLICE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$460,000	\$ 459,856	\$ (144)
Use of money and property:			
Interest on investments	<u>145,000</u>	<u>130,306</u>	<u>(14,694)</u>
Total revenues	<u>\$605,000</u>	<u>\$ 590,162</u>	<u>\$ (14,838)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	<u>\$630,000</u>	<u>\$ 449,311</u>	<u>\$ 180,689</u>
Net change in fund balance	\$(25,000)	\$ 140,851	\$ 165,851
Fund balance beginning of year	<u>-</u>	<u>3,043,512</u>	<u>3,043,512</u>
Fund balance end of year	<u><u>\$(25,000)</u></u>	<u><u>\$3,184,363</u></u>	<u><u>\$3,209,363</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FIRE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$300,000	\$ 299,907	\$ (93)
Use of money and property:			
Interest on investments	<u>105,000</u>	<u>31,085</u>	<u>(73,915)</u>
Total revenues	<u>\$405,000</u>	<u>\$ 330,992</u>	<u>\$ (74,008)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	<u>\$405,000</u>	<u>\$ 324,302</u>	<u>\$ 80,698</u>
Net change in fund balance	\$ -	\$ 6,690	\$ 6,690
Fund balance beginning of year	<u>-</u>	<u>2,405,635</u>	<u>2,405,635</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$2,412,325</u></u>	<u><u>\$2,412,325</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	\$477,779	\$490,754	\$ 12,975
EXPENDITURES:			
Current:			
Public safety	\$141,760	\$130,832	\$ 10,928
Public works	48,070	32,391	15,679
Health & social services	24,000	26,146	(2,146)
Culture & recreation	114,423	98,394	16,029
Community & economic development	24,685	25,876	(1,191)
General government	137,430	109,000	28,430
Total expenditures	<u>\$490,368</u>	<u>\$422,639</u>	<u>\$ 67,729</u>
Net change in fund balance	\$ (12,589)	\$ 68,115	\$ 80,704
Fund balance beginning of year	<u>-</u>	<u>303,289</u>	<u>303,289</u>
Fund balance end of year	<u>\$ (12,589)</u>	<u>\$371,404</u>	<u>\$383,993</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LIBRARY TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 3,000	\$ 675	\$ (2,325)
Use of money and property	10,000	35,893	25,893
Contributions	-	39,166	39,166
Miscellaneous	21,000	3,820	(17,180)
Total revenues	<u>\$ 34,000</u>	<u>\$ 79,554</u>	<u>\$ 45,554</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 11,000	\$ 767	\$ 10,233
Commodities	202,000	200,787	1,213
Total culture & recreation	<u>\$ 213,000</u>	<u>\$ 201,554</u>	<u>\$ 11,446</u>
Capital projects	16,000	940	15,060
Total expenditures	<u>\$ 229,000</u>	<u>\$ 202,494</u>	<u>\$ 26,506</u>
Net change in fund balance	\$ (195,000)	\$ (122,940)	\$ 72,060
Fund balance beginning of year	-	628,614	628,614
Fund balance end of year	<u>\$ 195,000</u>	<u>\$ 505,674</u>	<u>\$700,674</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CEBA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$825,000	\$ -	\$ (825,000)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 24,900	\$ 80	\$ 24,820
Contractual	800,100	-	800,100
Total expenditures	<u>\$825,000</u>	<u>\$ 80</u>	<u>\$ 824,920</u>
Net change in fund balance	\$ -	\$ (80)	\$ (\$80)
Fund balance beginning of year	-	(275)	(275)
Fund balance end of year	<u>\$ -</u>	<u>\$ (355)</u>	<u>\$ (355)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$29,050	\$12,369	\$(16,681)
Use of money and property	-	13,067	13,067
Miscellaneous	-	600	600
Total revenues	<u>\$29,050</u>	<u>\$26,036</u>	<u>\$ (3,014)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 2,500	\$ 496	\$ 2,004
Contractual	2,800	10	2,790
Commodities	16,500	16,869	(369)
Total culture & recreation	<u>\$21,800</u>	<u>\$17,375</u>	<u>\$ 4,425</u>
Capital projects	7,250	2,976	4,274
Total expenditures	<u>\$29,050</u>	<u>\$20,351</u>	<u>\$ 8,699</u>
Net change in fund balance	\$ -	\$ 5,685	\$ 5,685
Fund balance beginning of year	-	<u>10,651</u>	<u>10,651</u>
Fund balance end of year	<u>\$ -</u>	<u>\$16,336</u>	<u>\$ 16,336</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$47,650	\$22,421	\$(25,229)
Use of money and property	-	26,318	26,318
Miscellaneous	-	9,049	9,049
Total revenues	<u>\$47,650</u>	<u>\$57,788</u>	<u>\$ 10,138</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 6,850	\$ 2,410	\$ 4,440
Commodities	24,000	33,977	(9,977)
Total culture & recreation	<u>\$30,850</u>	<u>\$36,387</u>	<u>\$ (5,537)</u>
Capital projects	16,800	1,380	15,420
Total expenditures	<u>\$47,650</u>	<u>\$37,767</u>	<u>\$ 9,883</u>
Net change in fund balance	\$ -	\$20,021	\$ 20,021
Fund balance beginning of year	-	15,806	15,806
Fund balance end of year	<u>\$ -</u>	<u>\$35,827</u>	<u>\$ 35,827</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LHAP 2000 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Miscellaneous	\$6,000	\$1,050	\$ (4,950)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	<u>6,000</u>	<u>(12)</u>	<u>6,012</u>
Net change in fund balance	\$ -	\$1,062	\$ 1,062
Fund balance beginning of year	<u>-</u>	<u>7,188</u>	<u>7,188</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$8,250</u></u>	<u><u>\$ 8,250</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property tax	\$ 1,437,188	\$1,473,491	\$ 36,303
Other taxes	36,196	-	(36,196)
Use of money and property	-	15,715	15,715
Total revenues	<u>\$ 1,473,384</u>	<u>\$1,489,206</u>	<u>\$ 15,822</u>
EXPENDITURES:			
Debt service:			
Principal redemption	\$ 3,102,833	\$1,659,835	\$1,442,998
Interest payments	-	634,734	(634,734)
Contractual	126,800	48,424	78,376
Total debt service	<u>\$ 3,229,633</u>	<u>\$2,342,993</u>	<u>\$ 886,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,756,249)</u>	<u>\$ (853,787)</u>	<u>\$ 902,462</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 247,000	\$ 247,000
Transfers in	1,531,749	598,984	(932,765)
Transfers out	-	(87,142)	(87,142)
Total other financing sources (uses)	<u>\$ 1,531,749</u>	<u>\$ 758,842</u>	<u>\$ (772,907)</u>
Net change in fund balance	\$ (224,500)	\$ (94,945)	\$ 129,555
Fund balance beginning of year	-	362,803	362,803
Fund balance end of year	<u>\$ (224,500)</u>	<u>\$ 267,858</u>	<u>\$ 492,358</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Other tax	\$ 1,440,000	\$ 1,639,064	\$ 199,064
Intergovernmental	200,000	573,243	373,243
Use of money and property	10,000	28,504	18,504
Miscellaneous	-	46,750	46,750
Total revenues	<u>\$ 1,650,000</u>	<u>\$ 2,287,561</u>	<u>\$ 637,561</u>
EXPENDITURES:			
Capital projects	\$ 2,422,500	\$ 2,180,735	\$ 241,765
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (772,500)</u>	<u>\$ 106,826</u>	<u>\$ 879,326</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 700,000	\$ -	\$ (700,000)
Transfers out	<u>(1,260,000)</u>	<u>(1,315,155)</u>	<u>(55,155)</u>
Total other financing sources (uses)	<u>\$ (560,000)</u>	<u>\$ (1,315,155)</u>	<u>\$ (755,155)</u>
Net change in fund balance	\$ (1,332,500)	\$ (1,208,329)	\$ 124,171
Fund balance beginning of year	<u>-</u>	<u>2,729,943</u>	<u>2,729,943</u>
Fund balance end of year	<u><u>\$ (1,332,500)</u></u>	<u><u>\$ 1,521,614</u></u>	<u><u>\$ 2,854,114</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 19TH STREET SW OVERPASS CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 2,300,000	\$ 2,712,981	\$ 412,981
Use of money and property	-	20,824	20,824
Miscellaneous	-	11	11
Total revenues	<u>\$ 2,300,000</u>	<u>\$ 2,733,816</u>	<u>\$ 433,816</u>
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ -	\$ 2,722	\$ (2,722)
Contractual	-	371,306	(371,306)
Commodities	-	157	(157)
Total public works	<u>\$ -</u>	<u>\$ 374,185</u>	<u>\$ (374,185)</u>
Capital projects	8,900,000	5,662,009	3,237,991
Total expenditures	<u>\$ 8,900,000</u>	<u>\$ 6,036,194</u>	<u>\$ 2,863,806</u>
Excess (deficit) of revenues over (under) expenditures	\$ (6,600,000)	\$ (3,302,378)	\$ 3,297,622
Other financing sources (uses):			
Issuance of general obligation bonds	<u>5,400,000</u>	<u>3,000,000</u>	<u>(2,400,000)</u>
Net change in fund balance	\$ (1,200,000)	\$ (302,378)	\$ 897,622
Fund balance beginning of year	<u>-</u>	<u>1,152,710</u>	<u>1,152,710</u>
Fund balance end of year	<u><u>\$ (1,200,000)</u></u>	<u><u>\$ 850,332</u></u>	<u><u>\$ 2,050,332</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 MACNIDER MUSUEM TRUST PERMANENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$30,000	\$ 26,075	\$ (3,925)
Contributions	-	13,325	13,325
Miscellaneous	<u>30,000</u>	<u>11,862</u>	<u>(18,138)</u>
Total revenues	<u>\$60,000</u>	<u>\$ 51,262</u>	<u>\$ (8,738)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	<u>\$60,000</u>	<u>\$ 1,516</u>	<u>\$ 58,484</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 49,746	\$ 49,746
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>\$(67,800)</u>	<u>\$(67,800)</u>
Net change in fund balance	\$ -	\$(18,054)	\$(18,054)
Fund balance beginning of year	<u>-</u>	<u>904,787</u>	<u>904,787</u>
Fund balance end of year	<u>\$ -</u>	<u>\$886,733</u>	<u>\$886,733</u>

See Accompanying Independent Auditor's Report.

PROPRIETARY FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$102,235	\$ 526,191
Investments	50	-
Receivables:		
Property taxes	114,359	-
Accounts (net)	33,958	38,655
Accrued interest	22	813
Inventory	261	-
Due from other funds	88,558	110,225
Due from state government	-	-
Prepaid insurance	787	-
Total current assets	<u>\$340,230</u>	<u>\$ 675,884</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	168,249	24,728
Improvements	388,200	-
Vehicles	43,227	-
Storm sewer lines	-	3,496,968
Construction in progress	-	367,039
Less accumulated depreciation	<u>(428,287)</u>	<u>(1,423,953)</u>
Total property, plant and equipment	<u>\$219,088</u>	<u>\$2,464,782</u>
Total assets	<u>\$559,318</u>	<u>\$3,140,666</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 22,407	\$ 21,191
Salaries payable	10,533	-
Contracts payable	-	189,894
Accrued compensated absences	13,625	-
Accrued interest payable	-	1,329
Due to other funds	104,481	32
Due to state government	-	-
General obligation bonds	-	95,000
General obligation notes	-	65,000
Prepaid interments	48,225	-
Unearned revenue	112,764	-
Total current liabilities	<u>\$312,035</u>	<u>\$ 372,446</u>
Long-term debt:		
General obligation bonds	\$ -	\$ 295,000
General obligation notes	-	-
Net OPEB obligation	2,565	1,619
Total long-term debt	<u>\$ 2,565</u>	<u>\$ 269,619</u>
Total liabilities	<u>\$314,600</u>	<u>\$ 669,065</u>
Net assets:		
Invested in capital assets, net of related debt	\$219,088	\$2,009,782
Unrestricted	<u>25,630</u>	<u>461,819</u>
Total net assets	<u>\$244,718</u>	<u>\$2,471,601</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 193,494	\$ 83	\$ -	\$ 109,549	\$ 931,552
-	-	-	-	50
-	-	-	-	114,359
141,994	2,933	-	521,314	738,854
187	-	-	75	1,097
-	1,125	-	-	1,386
-	-	-	-	198,783
36,939	-	-	-	36,939
716	1,432	-	489	3,424
<u>\$ 373,330</u>	<u>\$ 5,573</u>	<u>\$ -</u>	<u>\$ 631,427</u>	<u>\$ 2,026,444</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
583,706	553,873	-	408,710	1,593,988
19,422	342,904	-	321,716	877,019
-	64,066	2,584,991	-	3,037,257
780,618	23,194	13,000	540,148	1,400,187
-	-	-	-	3,496,968
-	-	-	-	367,039
(573,496)	(494,694)	(2,535,001)	(362,919)	(5,818,350)
<u>\$ 810,250</u>	<u>\$686,156</u>	<u>\$4,206,110</u>	<u>\$ 907,655</u>	<u>\$ 9,294,041</u>
<u>\$1,183,580</u>	<u>\$691,729</u>	<u>\$4,206,110</u>	<u>\$1,539,082</u>	<u>\$11,320,485</u>
\$ 24,887	\$ 32,725	\$ 1,652	\$ 22,789	\$ 125,651
29,926	15,502	1,728	38,050	95,739
-	-	-	-	189,894
36,065	9,803	517	44,321	104,331
-	-	-	814	2,143
2,207	26,143	5,261	2,708	140,832
-	2,809	-	-	2,809
-	-	-	-	95,000
-	-	-	44,162	109,162
-	-	-	-	48,225
-	-	1,050	-	113,814
<u>\$ 93,085</u>	<u>\$ 86,982</u>	<u>\$ 10,208</u>	<u>\$ 152,844</u>	<u>\$ 1,027,600</u>
\$ -	\$ -	\$ -	\$ -	\$ 295,000
-	-	-	196,890	196,890
9,403	1,182	818	8,222	23,809
<u>\$ 9,403</u>	<u>\$ 1,182</u>	<u>\$ 818</u>	<u>\$ 205,112</u>	<u>\$ 515,699</u>
<u>\$ 102,488</u>	<u>\$ 88,164</u>	<u>\$ 11,026</u>	<u>\$ 357,956</u>	<u>\$ 1,543,299</u>
\$ 810,250	\$686,156	\$4,206,110	\$ 666,603	\$ 8,597,989
270,842	(82,591)	(11,026)	514,523	1,179,197
<u>\$1,081,092</u>	<u>\$603,565</u>	<u>\$4,195,084</u>	<u>\$1,181,126</u>	<u>\$ 9,777,186</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 81,409	\$ 289,516
Operating expenses:		
Business-type activities:		
Personal service	\$ 225,689	\$ 1,619
Contractual	13,941	1,437
Commodities	16,015	19,543
Other	122	-
Depreciation	21,857	143,045
Total operating expenses	<u>\$ 277,624</u>	<u>\$ 165,644</u>
Operating income (loss)	<u>\$ (196,215)</u>	<u>\$ 123,872</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 105,232	\$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	37,797	9,014
Special assessments	-	-
Miscellaneous	31,781	-
Interest	-	(12,463)
Gain (loss) on sale of capital assets	-	-
Total nonoperating revenue (expenses)	<u>\$ 174,810</u>	<u>\$ (3,449)</u>
Income (loss) before contributions and transfers	<u>\$ (21,405)</u>	<u>\$ 120,423</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(9,370)	-
Total contributions and transfers	<u>\$ (9,370)</u>	<u>\$ -</u>
Change in net assets	\$ (30,775)	\$ 120,423
Net assets beginning of year	<u>275,493</u>	<u>2,351,178</u>
Net assets end of year	<u>\$ 244,718</u>	<u>\$2,471,601</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
<u>\$1,230,639</u>	<u>\$430,271</u>	<u>\$ 45,510</u>	<u>\$1,507,937</u>	<u>\$3,585,282</u>
\$ 714,028	\$270,027	\$ 45,383	\$ 967,502	\$2,224,248
339,345	42,306	54,992	110,077	562,098
68,012	106,468	2,567	128,814	341,419
528	873	-	1,186	2,709
78,958	42,362	14,434	107,555	408,211
<u>\$1,200,871</u>	<u>\$462,036</u>	<u>\$ 117,376</u>	<u>\$1,315,134</u>	<u>\$3,538,685</u>
<u>\$ 29,768</u>	<u>\$ (31,765)</u>	<u>\$ (71,866)</u>	<u>\$ 192,803</u>	<u>\$ 46,597</u>
\$ -	\$ -	\$ -	\$ -	\$ 105,232
188,926	695	-	-	189,621
-	-	52,649	-	52,649
711	9,834	-	1,766	59,122
1,562	-	-	-	1,562
159	2,995	-	119,200	154,135
-	-	-	(13,797)	(26,260)
-	-	-	(12,172)	(12,172)
<u>\$ 191,358</u>	<u>\$ 13,524</u>	<u>\$ 52,649</u>	<u>\$ 94,997</u>	<u>\$ 523,889</u>
<u>\$ 221,126</u>	<u>\$ (18,241)</u>	<u>\$ (19,217)</u>	<u>\$ 287,800</u>	<u>\$ 570,486</u>
\$ -	\$ 60,000	\$ 45,000	\$ -	\$ 105,000
-	-	-	-	(9,370)
<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 95,630</u>
\$ 221,126	\$ 41,759	\$ 25,783	\$ 287,800	\$ 666,116
859,966	561,806	4,169,301	893,326	9,111,070
<u>\$1,081,092</u>	<u>\$603,565</u>	<u>\$4,195,084</u>	<u>\$1,181,126</u>	<u>\$9,777,186</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 93,471	\$ 288,747
Cash paid to employees for services	(219,676)	-
Cash paid to other suppliers of goods or services	(13,263)	(25,041)
Proceeds from miscellaneous items	<u>37,181</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (102,287)</u>	<u>\$ 263,706</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 104,930	\$ -
Transfers in	-	-
Transfers out	(9,370)	-
Intergovernmental proceeds	-	-
Advance to other funds	<u>-</u>	<u>(95,225)</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 95,560</u>	<u>\$ (95,225)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (46,217)	\$ (203,244)
Principal payments	-	(62,500)
Interest payments	-	(11,547)
Proceeds from issuance of bonds	<u>-</u>	<u>390,000</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (46,217)</u>	<u>\$ 112,709</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 450,000
Purchase of investments	-	(450,000)
Interest received	24,247	8,631
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 24,247</u>	<u>\$ 8,631</u>
Net increase (decrease) in cash	\$ (28,697)	\$ 289,821
Cash beginning of year	<u>130,932</u>	<u>236,370</u>
Cash end of year	<u>\$ 102,235</u>	<u>\$ 526,191</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,213,069	\$460,157	\$ 45,511	\$1,467,734	\$3,568,689
(408,259)	(265,908)	(44,182)	(953,406)	(1,891,431)
(797,492)	(256,930)	(46,329)	(266,163)	(1,405,218)
<u>1,721</u>	<u>2,995</u>	<u>-</u>	<u>703</u>	<u>42,600</u>
<u>\$ 9,039</u>	<u>\$ (59,686)</u>	<u>\$ (45,000)</u>	<u>\$ 248,868</u>	<u>\$ 314,640</u>
\$ -	\$ -	\$ -	\$ -	\$ 104,930
-	60,000	45,000	-	105,000
-	-	-	-	(9,370)
154,812	695	-	-	155,507
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,225)</u>
<u>\$ 154,812</u>	<u>\$ 60,695</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 260,842</u>
\$ (91,423)	\$ (11,313)	\$ -	\$ (178,770)	\$ (530,967)
-	-	-	(147,876)	(210,376)
-	-	-	(14,263)	(25,810)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,000</u>
<u>\$ (91,423)</u>	<u>\$ (11,313)</u>	<u>\$ -</u>	<u>\$ (340,909)</u>	<u>\$ (377,153)</u>
\$ -	\$ -	\$ -	\$ 10,000	\$ 460,000
-	-	-	(10,000)	(460,000)
806	34	-	2,309	36,027
<u>-</u>	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>9,800</u>
<u>\$ 806</u>	<u>\$ 9,834</u>	<u>\$ -</u>	<u>\$ 2,309</u>	<u>\$ 45,827</u>
\$ 73,234	\$ (470)	\$ -	\$ (89,732)	\$ 244,156
120,260	553	-	199,281	687,396
<u>\$ 193,494</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ 109,549</u>	<u>\$ 931,552</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(196,215)	\$123,872
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	21,857	143,045
Miscellaneous income	31,781	-
Loss on sale of capital assets	-	-
Change in assets and liabilities:		
(Increase) decrease in receivables	4,219	(770)
(Increase) decrease in inventory	1,515	-
(Increase) decrease in prepaid insurance	(309)	-
Increase (decrease) in accounts and contracts payable	20,340	6,140
Increase (decrease) in salaries payable	2,024	-
Increase (decrease) in accrued compensated absences	1,424	-
Increase (decrease) in due to other funds	667	(10,200)
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	7,845	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	<u>2,565</u>	<u>1,619</u>
Net cash provided (used) by operating activities	<u>\$(102,287)</u>	<u>\$263,706</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$29,768	\$ (31,765)	\$ (71,866)	\$192,803	\$ 46,597
78,958	42,362	14,434	107,555	408,211
1,721	2,995	52,649	703	89,849
-	-	-	12,172	12,172
(17,570)	357	-	(70,917)	(84,681)
-	1,090	-	-	2,605
(116)	(603)	-	-	(1,028)
(96,250)	(78,204)	(502)	(12,385)	(160,861)
3,257	2,293	386	3,497	11,457
(367)	(168)	(3)	5,293	6,179
235	347	(40,916)	1,925	(47,942)
-	428	-	-	428
-	-	-	-	7,845
-	-	-	-	-
<u>9,403</u>	<u>1,182</u>	<u>818</u>	<u>8,222</u>	<u>23,809</u>
<u>\$ 9,039</u>	<u>\$ (59,686)</u>	<u>\$ (45,000)</u>	<u>\$248,868</u>	<u>\$314,640</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ -	\$1,207,149	\$1,207,149
Investments	-	825,277	825,277
Receivables:			
Property taxes	-	777,229	777,229
Accrued interest	-	8,875	8,875
Due from other funds	23,401	73,115	96,516
Prepaid insurance	49	-	49
Total current assets	<u>\$ 23,450</u>	<u>\$2,891,645</u>	<u>\$2,915,095</u>
Property, plant and equipment:			
Equipment	\$105,098	\$ -	\$ 105,098
Vehicles	85,174	-	85,174
Total property, plant and equipment	<u>\$190,272</u>	<u>\$ -</u>	<u>\$ 190,272</u>
Less accumulated depreciation	<u>(110,234)</u>	<u>-</u>	<u>(110,234)</u>
Net property, plant and equipment	<u>\$ 80,038</u>	<u>\$ -</u>	<u>\$ 80,038</u>
Total assets	<u>\$103,488</u>	<u>\$2,891,645</u>	<u>\$2,995,133</u>
LIABILITIES:			
Accounts payable	\$ 41,992	\$ 638,340	\$ 680,332
Salaries payable	7,312	-	7,312
Accrued compensated absences	12,239	-	12,239
Due to other funds	73,212	-	73,212
Unearned revenue	-	781,431	781,431
Total liabilities	<u>\$134,755</u>	<u>\$1,419,771</u>	<u>\$1,554,526</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 80,038	\$ -	\$ 80,038
Unrestricted	<u>(111,305)</u>	<u>1,471,874</u>	<u>1,360,569</u>
Total net assets	<u>\$ (31,267)</u>	<u>\$1,471,874</u>	<u>\$1,440,607</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$242,124	\$ -	\$ 242,124
Health insurance contributions	-	2,253,541	2,253,541
Total operating revenues	<u>\$242,124</u>	<u>\$2,253,541</u>	<u>\$2,495,665</u>
Operating expenses:			
Business type activities:			
Personal services	\$169,696	\$2,561,523	\$2,731,219
Contractual	17,182	-	17,182
Commodities	29,367	-	29,367
Depreciation	14,813	-	14,813
Total operating expenses	<u>\$231,058</u>	<u>\$2,561,523</u>	<u>\$2,792,581</u>
Operating income (loss)	<u>\$ 11,066</u>	<u>\$ (307,982)</u>	<u>\$ (296,916)</u>
Nonoperating revenues:			
Property taxes	\$ -	\$ 974,695	\$ 974,695
Use of money and property	-	47,889	47,889
Refunds	-	252	252
Total nonoperating revenues	<u>\$ -</u>	<u>\$1,022,836</u>	<u>\$1,022,836</u>
Income (loss) before contributions and transfers	\$ 11,066	\$ 714,854	\$ 725,920
Contributions and transfers:			
Transfers out	-	(425,000)	(425,000)
Change in net assets	\$ 11,066	\$ 289,854	\$ 300,920
Net assets beginning of year	<u>(42,333)</u>	<u>1,182,020</u>	<u>1,139,687</u>
Net assets end of year	<u><u>\$(31,267)</u></u>	<u><u>\$1,471,874</u></u>	<u><u>\$1,440,607</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	Central Services	Employee Health Care	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$236,135	\$1,949,927	\$2,186,062
Cash received from employees and others	-	300,458	300,458
Cash paid to employees for services	(166,822)	-	(166,822)
Cash paid to suppliers	(30,523)	-	(30,523)
Cash paid for health and life insurance	-	(2,605,576)	(2,605,576)
Proceeds from miscellaneous items	-	(73,115)	(73,115)
Net cash provided (used) by operating activities	<u>\$ 38,790</u>	<u>\$ (428,306)</u>	<u>\$ (389,516)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 970,663	\$ 970,663
Transfers out	-	(425,000)	(425,000)
Net cash provided (used) by non-capital financing activities	<u>\$ -</u>	<u>\$ 545,663</u>	<u>\$ 545,663</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	\$ (38,790)	\$ -	\$ (38,790)
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$1,780,200	\$1,780,200
Purchase of investments	-	(1,675,563)	(1,675,563)
Interest received	-	44,577	44,577
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 149,214</u>	<u>\$ 149,214</u>
Net increase in cash	\$ -	\$ 266,571	\$ 266,571
Cash beginning of year	-	940,578	940,578
Cash end of year	<u>\$ -</u>	<u>\$1,207,149</u>	<u>\$1,207,149</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 11,066	\$ (307,982)	\$ (296,916)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	14,813	-	14,813
Change in assets and liabilities:			
(Increase) decrease in receivables	-	206,968	206,968
(Increase) decrease in due from other funds	(5,989)	(73,115)	(79,104)
(Increase) decrease in prepaid insurance	(49)	-	(49)
Increase (decrease) in accounts payable	39,222	(39,307)	(85)
Increase (decrease) in salaries payable	1,610	-	1,610
Increase (decrease) in compensated absences	1,264	-	1,264
Increase (decrease) in unearned revenues	-	(214,870)	(214,870)
Increase (decrease) in due to other funds	(23,147)	-	(23,147)
Net cash provided (used) by operating activities	<u>\$ 38,790</u>	<u>\$ (428,306)</u>	<u>\$ (389,516)</u>

See Accompanying Independent Auditor's Report.

AGENCY FUND

CITY OF MASON CITY, IOWA
U.S. SAVINGS BOND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS:				
Cash	<u>\$1,015</u>	<u>\$11,955</u>	<u>\$12,625</u>	<u>\$345</u>
LIABILITIES:				
Due to purchase bonds	<u>\$1,015</u>	<u>\$11,955</u>	<u>\$12,625</u>	<u>\$345</u>

See Accompanying Independent Auditor's Report.

CAPITAL ASSETS USED

IN

OPERATIONS

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2009

General capital assets:	
Land	\$ 2,634,356
Buildings and structures	9,612,511
Improvements other than buildings	19,393,646
Machinery and equipment	5,488,937
Vehicles	7,178,747
Infrastructure	60,142,091
Construction in progress	<u>14,099,080</u>
 Total general capital assets	 <u><u>\$118,549,368</u></u>
 Investment in general capital assets by source:	
General fund	<u><u>\$118,549,368</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2009

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,254,174	\$ 115,000
Fire	3,773,251	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	43,188	-
Total public safety	<u>\$ 7,381,753</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 21,919,666	\$1,725,891
Street	3,606,185	31,363
Infrastructure	66,898,826	-
Arborist	144,213	-
Engineer	228,973	-
Total public works	<u>\$ 92,797,863</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 17,414	\$ -
Health	4,391	-
Human Rights	43,005	-
Total health and social services	<u>\$ 64,810</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 7,684,170	\$ 673,452
Swimming Pool	3,160,186	-
Recreation	387,808	-
Library	1,827,389	13,500
Museum	1,900,802	-
Band	2,881	-
Total culture and recreation	<u>\$ 14,963,236</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 766,038	\$ -
Transit	1,181,185	-
Total community and economic development	<u>\$ 1,947,223</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,252	\$ -
Council/Coffee room	31,267	-
Administrator	18,347	-
Finance	91,476	-
Clerk	18,470	-
City Hall	1,218,252	-
Safety Director	7,844	-
GIS	3,575	-
Total general government	<u>\$ 1,394,483</u>	<u>\$ -</u>
Total general capital assets	<u><u>\$118,549,368</u></u>	<u><u>\$2,634,356</u></u>

See Accompanying Independent Auditor's Report.

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$1,697,228	\$ -	\$ 857,976	\$ 583,970	\$ -	\$ -
911,166	94,412	726,633	1,965,890	-	-
-	-	225,118	-	-	-
-	-	15,409	31,589	-	-
-	-	10,001	29,023	-	-
-	-	5,590	37,598	-	-
<u>\$2,608,394</u>	<u>\$ 94,412</u>	<u>\$1,840,727</u>	<u>\$2,648,070</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,847,755	\$13,001,999	\$ 477,754	\$1,312,033	\$ -	\$ 3,554,234
886,405	-	711,774	1,976,643	-	-
-	-	-	-	60,142,091	6,756,735
-	-	7,883	136,330	-	-
-	-	144,022	84,951	-	-
<u>\$2,734,160</u>	<u>\$13,001,999</u>	<u>\$1,341,433</u>	<u>\$3,509,957</u>	<u>\$60,142,091</u>	<u>\$10,310,969</u>
\$ -	\$ -	\$ 17,414	\$ -	\$ -	\$ -
-	-	4,391	-	-	-
-	-	43,005	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 941,056	\$ 2,951,128	\$ 975,924	\$ 193,577	\$ -	\$ 1,949,033
-	3,080,480	79,706	-	-	-
-	22,190	151,739	79,136	-	134,743
292,981	237,696	303,340	-	-	979,872
1,745,030	4,200	151,572	-	-	-
-	-	2,881	-	-	-
<u>\$2,979,067</u>	<u>\$ 6,295,694</u>	<u>\$1,665,162</u>	<u>\$ 272,713</u>	<u>\$ -</u>	<u>\$ 3,063,648</u>
\$ -	\$ -	\$ 41,575	\$ -	\$ -	\$ 724,463
394,540	-	38,636	748,009	-	-
<u>\$ 394,540</u>	<u>\$ -</u>	<u>\$ 80,211</u>	<u>\$ 748,009</u>	<u>\$ -</u>	<u>\$ 724,463</u>
\$ -	\$ -	\$ 5,252	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	18,347	-	-	-
-	-	91,476	-	-	-
-	-	18,470	-	-	-
896,350	1,540	320,362	-	-	-
-	-	7,844	-	-	-
-	-	3,575	-	-	-
<u>\$ 896,350</u>	<u>\$ 1,540</u>	<u>\$ 496,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$9,612,511</u>	<u>\$19,393,645</u>	<u>\$5,488,936</u>	<u>\$7,178,749</u>	<u>\$60,142,091</u>	<u>\$14,099,080</u>

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2009

<u>Function and Activity</u>	<u>Balance June 30, 2008</u>
Public Safety:	
Police	\$ 3,479,598
Fire	3,691,263
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	37,598
Total public safety	<u>\$ 7,519,599</u>
Public Works:	
Airport	\$ 17,877,521
Street	3,421,045
Infrastructure	57,402,003
Arborist	144,213
Engineer	214,974
Total public works	<u>\$ 79,059,756</u>
Health and Social Services:	
Youth Task Force	\$ 14,712
Health	13,258
Human Rights	41,882
Total health and social services	<u>\$ 69,852</u>
Culture and Recreation:	
Parks	\$ 5,520,968
Swimming Pool	3,154,126
Recreation	228,814
Library	1,655,951
Museum	1,201,645
Band	2,881
Total culture and recreation	<u>\$ 11,764,385</u>
Community and Economic Development:	
Growth Development and Planning	\$ 41,575
Transit	1,173,945
Total community and economic development	<u>\$ 1,215,520</u>
General Government:	
Mayor	\$ 5,252
Council/Coffee room	31,267
Administrator	19,283
Finance	72,342
Clerk	18,470
City Hall	1,209,496
Safety Director	8,519
GIS	3,575
Total general government	<u>\$ 1,368,204</u>
Construction in progress	<u>\$ 4,597,464</u>
Total general capital assets	<u>\$105,594,780</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
\$ 326,258	\$ 551,682	\$ 3,254,174
283,377	201,389	3,773,251
-	-	225,118
-	-	46,998
-	-	39,024
5,590	-	43,188
<u>\$ 615,225</u>	<u>\$ 753,071</u>	<u>\$ 7,381,753</u>
\$ 630,754	\$ 142,844	\$ 18,365,431
341,438	156,297	3,606,186
2,740,087	-	60,142,090
-	-	144,213
14,000	-	228,974
<u>\$ 3,726,279</u>	<u>\$ 299,141</u>	<u>\$ 82,486,894</u>
\$ 2,702	\$ -	\$ 17,414
-	8,867	4,391
1,123	-	43,005
<u>\$ 3,825</u>	<u>\$ 8,867</u>	<u>\$ 64,810</u>
\$ 229,163	\$ 14,994	\$ 5,735,137
6,060	-	3,160,186
36,898	12,647	253,065
48,104	856,538	847,517
699,157	-	1,900,802
-	-	2,881
<u>\$ 1,019,382</u>	<u>\$ 884,179</u>	<u>\$ 11,899,588</u>
\$ -	\$ -	\$ 41,575
7,378	138	1,181,185
<u>\$ 7,378</u>	<u>\$ 138</u>	<u>\$ 1,222,760</u>
\$ -	\$ -	\$ 5,252
-	-	31,267
1,534	2,470	18,347
19,134	-	91,476
-	-	18,470
8,756	-	1,218,252
-	675	7,844
-	-	3,575
<u>\$ 29,424</u>	<u>\$ 3,145</u>	<u>\$ 1,394,483</u>
<u>\$12,867,130</u>	<u>\$3,365,514</u>	<u>\$ 14,099,080</u>
<u><u>\$18,268,643</u></u>	<u><u>\$5,314,055</u></u>	<u><u>\$118,549,368</u></u>

**STATISTICAL
SECTION**

CITY OF MASON CITY, IOWA
STATISTICAL SECTION

This part of the City of Mason City's comprehensive annual report presents detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	113-122
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	123-131
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	132-139
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	140-144
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	145-148

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF MASON CITY, IOWA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
Governmental activities:		
Invested in capital assets, net of related debt	\$ 60,958,677	\$ 54,151,661
Restricted for:		
Museum funding	633,638	633,638
Bond retirement	267,858	362,803
Perpetual care	486,855	455,442
Unrestricted	20,911,732	23,700,869
Total governmental activities net assets	<u>\$ 83,258,760</u>	<u>\$ 79,304,413</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 38,209,810	\$ 36,086,120
Restricted for:		
Bond retirement	2,836,665	2,799,606
Capital projects	-	-
Unrestricted	2,085,637	2,149,576
Total business-type activities net assets	<u>\$ 43,132,112</u>	<u>\$ 41,035,302</u>
Primary government:		
Invested in capital assets, net of related debt	\$ 99,168,487	\$ 90,237,781
Restricted for:		
Museum funding	633,638	633,638
Bond retirement	3,104,523	3,162,409
Capital projects	-	-
Perpetual care	486,855	455,442
Unrestricted	22,997,639	25,850,445
Total primary government net assets	<u>\$126,390,872</u>	<u>\$120,339,715</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 51,379,331	\$ 47,154,271	\$ 41,643,488	\$33,654,513	\$25,910,449
610,638	-	-	-	-
505,025	619,718	769,200	1,221,315	2,313,361
429,743	418,734	448,409	414,424	440,142
22,247,468	20,839,020	22,232,947	21,906,460	27,179,952
<u>\$ 75,172,205</u>	<u>\$ 69,031,743</u>	<u>\$ 65,094,044</u>	<u>\$57,196,712</u>	<u>\$55,843,904</u>
\$ 35,294,652	\$ 34,761,907	\$ 34,113,573	\$34,673,507	\$29,846,554
2,578,675	2,379,182	1,920,304	1,695,224	1,587,958
-	-	-	435,680	-
1,274,797	1,206,696	1,926,433	(1,240,259)	626,337
<u>\$ 39,148,124</u>	<u>\$ 38,347,785</u>	<u>\$ 37,960,310</u>	<u>\$35,564,152</u>	<u>\$32,060,849</u>
\$ 86,673,983	\$ 81,916,178	\$ 75,757,061	\$68,328,020	\$55,757,003
610,638	-	-	-	-
3,083,700	2,998,900	2,689,504	2,916,539	3,901,319
-	-	-	435,680	-
429,743	418,734	448,409	414,424	440,142
23,522,265	22,045,716	24,159,380	20,666,201	27,806,289
<u>\$114,320,329</u>	<u>\$107,379,528</u>	<u>\$103,054,354</u>	<u>\$92,760,864</u>	<u>\$87,904,753</u>

CITY OF MASON CITY, IOWA
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
Expenses:		
Governmental activities:		
Public safety	\$ 8,776,634	\$ 8,836,067
Public works	6,912,927	6,547,510
Health and social services	769,456	838,912
Culture and recreation	3,720,434	3,192,566
Community and economic development	1,937,074	1,516,775
General government	2,668,372	2,206,251
Interest on long-term debt	695,529	580,638
Total governmental activities expenses	<u>\$ 25,480,426</u>	<u>\$ 23,718,719</u>
Business-type activities:		
Cemetery	\$ 282,484	\$ 263,411
Water	5,047,464	4,896,428
Sewer	3,118,427	2,841,619
Parking lots	118,762	112,018
Storm sewer	178,107	188,876
Solid waste	1,216,902	1,201,526
Golf course	463,543	496,383
Ambulance	1,353,951	1,300,570
Total business-type activities expenses	<u>\$ 11,779,640</u>	<u>\$ 11,300,831</u>
Total primary government expenses	<u><u>\$ 37,260,066</u></u>	<u><u>\$ 35,019,550</u></u>
Program Revenues:		
Governmental activities:		
Charges for services:		
Public safety	\$ 388,341	\$ 331,821
Culture and recreation	474,665	462,564
General government	453,072	399,780
Other activities	215,322	266,913
Operating grants and contributions	1,970,043	1,586,253
Capital grants and contributions	4,828,170	3,383,038
Total governmental activities program revenues	<u>\$ 8,329,613</u>	<u>\$ 6,430,369</u>
Business-type activities:		
Charges for services:		
Water	\$ 4,647,116	\$ 4,701,954
Sewer	4,196,151	3,060,266
Other activities	3,637,931	3,525,466
Operating grants and contributions	584,695	-
Capital grants and contributions	270,810	1,111,409
Total business-type activities program revenues	<u>\$ 13,336,703</u>	<u>\$ 12,399,095</u>
Total primary government program revenues	<u><u>\$ 21,666,316</u></u>	<u><u>\$ 18,829,464</u></u>
Net (Expense) Revenues:		
Governmental activities	\$(17,150,813)	\$(17,288,350)
Business-type activities	1,557,063	1,098,264
Total primary government net (expense) / revenues	<u><u>\$ (15,593,750)</u></u>	<u><u>\$ (16,190,086)</u></u>

(continued)

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 8,497,763	\$ 8,550,232	\$ 7,926,815	\$ 7,651,154	\$ 6,906,490
5,695,837	5,510,270	4,320,043	5,408,728	5,478,863
719,340	614,429	661,340	556,758	484,978
3,197,601	3,029,345	2,852,682	2,739,284	2,298,424
1,429,911	3,610,475	2,886,020	3,885,016	4,005,048
2,241,467	2,366,733	2,215,481	2,013,286	2,176,336
541,891	509,503	521,935	589,257	544,542
<u>\$ 22,323,810</u>	<u>\$ 24,190,987</u>	<u>\$21,384,316</u>	<u>\$ 22,843,483</u>	<u>\$ 21,894,681</u>
\$ 265,149	\$ 258,434	\$ 243,474	\$ 242,607	\$ 236,838
4,791,948	4,193,851	3,165,550	2,755,310	2,461,202
2,754,070	2,670,534	2,519,795	2,375,568	2,518,571
103,884	114,494	96,321	93,865	86,350
116,252	125,947	122,333	108,823	116,243
1,141,987	1,090,911	1,020,631	980,181	980,430
465,044	404,347	326,498	333,049	312,588
1,169,878	1,150,308	907,072	213,640	-
<u>\$ 10,808,212</u>	<u>\$ 10,008,826</u>	<u>\$ 8,401,674</u>	<u>\$ 7,103,043</u>	<u>\$ 6,712,222</u>
<u>\$ 33,132,022</u>	<u>\$ 34,199,813</u>	<u>\$29,785,990</u>	<u>\$ 29,946,526</u>	<u>\$ 28,606,903</u>
\$ 469,917	\$ 503,548	\$ 569,319	\$ 533,677	\$ 603,241
529,079	465,783	443,535	495,459	440,545
372,805	203,975	481,621	298,815	325,566
229,317	506,609	292,758	380,010	478,847
1,690,908	3,382,410	3,200,201	2,982,349	2,343,486
4,537,680	4,771,256	7,357,615	1,404,793	1,632,310
<u>\$ 7,819,706</u>	<u>\$ 9,833,581</u>	<u>\$12,345,049</u>	<u>\$ 6,095,103</u>	<u>\$ 5,823,995</u>
\$ 4,587,840	\$ 4,091,801	\$ 3,996,205	\$ 3,542,206	\$ 2,991,747
2,583,223	2,347,982	2,275,044	2,028,147	2,125,686
3,272,750	3,043,408	2,630,558	1,621,988	1,582,947
-	-	-	-	-
583,409	523,134	1,236,866	3,289,676	1,667,106
<u>\$ 11,027,222</u>	<u>\$ 10,006,325</u>	<u>\$10,138,673</u>	<u>\$ 10,482,017</u>	<u>\$ 8,367,486</u>
<u>\$ 18,856,928</u>	<u>\$ 19,839,906</u>	<u>\$22,483,722</u>	<u>\$ 16,577,120</u>	<u>\$ 14,191,481</u>
\$ (14,494,104)	\$ (14,357,406)	\$ (9,039,267)	\$ (16,748,380)	\$ (16,070,686)
219,010	(2,501)	1,736,999	3,378,974	1,655,264
<u>\$ (14,275,094)</u>	<u>\$ (14,359,907)</u>	<u>\$ (7,302,268)</u>	<u>\$ (13,369,406)</u>	<u>\$ (14,415,422)</u>

CITY OF MASON CITY, IOWA
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets:		
Governmental activities:		
General revenues:		
Property taxes	\$12,884,283	\$12,343,528
Other taxes	4,576,634	5,032,706
Franchise taxes	-	-
Road use tax	2,417,780	2,499,599
Unrestricted state utility tax replacement	186,493	186,315
Grants and contributions not restricted to specific program	44,895	10,001
Unrestricted investment income	795,157	1,478,799
Gain (loss) on sale of capital assets	-	-
Miscellaneous	265,548	104,746
Transfers	(65,630)	(235,136)
Total governmental activities	<u>\$21,105,160</u>	<u>\$21,420,558</u>
Business-type activities:		
General revenues:		
Property taxes	\$ 105,232	\$ 100,873
Grants and contributions not restricted to specific program	-	2,825
Unrestricted investment income	198,766	346,442
Gain (loss) on sale of capital assets	-	-
Miscellaneous	170,119	103,638
Transfers	65,630	235,136
Total business-type activities	<u>\$ 539,747</u>	<u>\$ 788,914</u>
Total primary government	<u>\$21,644,907</u>	<u>\$22,209,472</u>
Change in Net Assets:		
Governmental activities	\$ 3,954,347	\$ 4,132,208
Business-type activities	2,096,810	1,887,178
Total primary government	<u>\$ 6,051,157</u>	<u>\$ 6,019,386</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$11,819,970	\$10,490,524	\$ 9,449,162	\$ 9,121,213	\$ 8,897,703
4,400,683	4,112,909	3,628,930	5,260,326	3,981,825
-	-	12,883	72,000	20,628
2,440,873	2,442,817	2,422,050	2,444,356	2,355,322
184,216	159,226	161,992	171,678	388,170
92,191	80,804	17,401	132,876	319,333
1,746,741	1,028,584	1,340,758	693,661	1,059,921
-	-	-	-	(286,153)
46,892	10,037	259,635	146,427	130,268
(97,000)	(29,796)	(356,212)	58,651	(791,038)
<u>\$20,634,566</u>	<u>\$18,295,105</u>	<u>\$16,936,599</u>	<u>\$18,101,188</u>	<u>\$16,075,979</u>
\$ 92,417	\$ 92,994	\$ 87,090	\$ 83,372	\$ 87,734
-	-	-	-	-
343,964	185,868	182,609	65,418	124,702
-	-	-	-	(2,437)
47,948	81,318	33,248	34,190	37,944
97,000	29,796	356,212	(58,651)	791,038
<u>\$ 581,329</u>	<u>\$ 389,976</u>	<u>\$ 659,159</u>	<u>\$ 124,329</u>	<u>\$ 1,038,981</u>
<u>\$21,215,895</u>	<u>\$18,685,081</u>	<u>\$17,595,758</u>	<u>\$18,255,517</u>	<u>\$17,114,960</u>
\$ 6,140,462	\$ 3,937,699	\$ 7,897,332	\$ 1,352,808	\$ 5,293
800,339	387,475	2,396,158	3,503,303	2,694,245
<u>\$ 6,940,801</u>	<u>\$ 4,325,174</u>	<u>\$10,293,490</u>	<u>\$ 4,856,111</u>	<u>\$ 2,699,538</u>

CITY OF MASON CITY, IOWA
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST SEVEN FISCAL YEARS
 (modified accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
General Fund:		
Reserved	\$ 227,684	\$ 209,866
Unreserved	7,035,343	8,412,260
Total general fund	<u>\$ 7,263,027</u>	<u>\$ 8,622,126</u>
All Other Governmental Funds:		
Reserved	\$ 764,606	\$ 824,223
Unreserved, reported in:		
Special revenue funds	8,662,741	8,760,295
Capital project funds	2,371,946	3,882,653
Permanent funds	901,820	933,555
Total all other governmental funds	<u>\$12,701,113</u>	<u>\$14,400,726</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 211,759	\$ 208,096	\$ 212,296	\$ 190,564	\$ 222,936
8,669,062	8,593,915	9,052,118	8,976,676	8,472,303
<u>\$ 8,880,821</u>	<u>\$ 8,802,011</u>	<u>\$ 9,264,414</u>	<u>\$ 9,167,240</u>	<u>\$ 8,695,239</u>
\$ 1,551,247	\$ 1,045,151	\$ 1,344,270	\$ 1,766,522	\$ 2,874,058
7,807,590	6,722,890	6,655,169	4,864,385	10,096,950
3,788,901	3,614,649	4,631,731	5,927,280	5,924,491
301,100	893,426	791,927	818,046	760,774
<u>\$13,448,838</u>	<u>\$12,276,116</u>	<u>\$13,423,097</u>	<u>\$13,376,233</u>	<u>\$19,656,273</u>

CITY OF MASON CITY, IOWA
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
Revenues:		
Property taxes	\$10,615,964	\$ 9,991,874
TIF revenues	1,293,624	1,549,165
Other taxes	4,763,127	5,219,025
Licenses and permits	594,809	589,770
Intergovernmental	8,771,337	7,062,389
Charges for services	788,428	673,796
Fines and forfeitures	117,261	88,621
Use of money and property	747,268	1,408,275
Special assessments	30,900	108,927
Miscellaneous	591,339	497,160
Refunds	207,873	72,695
Total revenues	<u>\$28,521,930</u>	<u>\$27,261,697</u>
Expenditures:		
Public safety	\$ 8,121,819	\$ 8,339,910
Public works	2,879,684	3,278,651
Health and social services	750,863	805,599
Culture and recreation	3,046,106	2,785,729
Community and economic development	1,693,168	1,134,548
General government	2,531,895	2,134,146
Capital projects	16,059,284	7,859,352
Debt service:		
Principal retirement	1,659,835	1,792,073
Interest	634,734	530,122
Contractual	48,424	50,115
Total expenditures	<u>\$37,425,812</u>	<u>\$28,710,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,903,882)</u>	<u>\$ (1,448,548)</u>
Other financing sources (uses):		
Issuance of refunding bonds	\$ -	\$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	5,485,800	2,400,300
Premium (discount) on bonds issued	-	(23,422)
Sale of capital assets	-	-
Transfers in	2,537,998	1,462,290
Transfers out	(2,178,628)	(1,697,426)
Total other financing sources (uses)	<u>\$ 5,845,170</u>	<u>\$ 2,141,742</u>
Net change in fund balances	<u><u>\$ (3,058,712)</u></u>	<u><u>\$ 693,194</u></u>
 Debt service as a percentage of noncapital expenditures	 <u>10.40%</u>	 <u>10.84%</u>

See Accompanying Independent Auditor's Report.

2007	2006	2005	2004	2003
\$ 9,509,937	\$ 8,441,105	\$ 7,764,803	\$ 7,821,949	\$ 7,588,119
1,539,641	1,324,877	1,334,795	1,299,264	1,309,583
4,584,899	4,272,135	3,803,805	5,504,004	4,390,623
583,098	422,326	752,700	576,466	777,534
7,917,610	9,576,497	11,825,024	6,394,531	5,910,170
804,962	986,768	715,507	715,657	634,019
169,377	195,322	228,678	162,745	92,439
1,685,388	994,387	1,305,195	671,163	1,019,077
43,681	75,497	90,348	253,091	344,207
860,681	1,127,791	1,078,449	634,460	840,337
73,281	111,921	87,314	72,811	55,458
<u>\$27,772,552</u>	<u>\$27,528,626</u>	<u>\$28,986,618</u>	<u>\$24,106,141</u>	<u>\$22,961,566</u>
\$ 8,088,949	\$ 7,904,694	\$ 7,396,491	\$ 7,038,308	\$ 6,277,854
3,218,936	2,954,535	2,922,781	3,158,130	3,368,579
699,620	586,664	638,500	532,232	456,108
2,815,767	2,596,250	2,456,088	2,341,327	2,161,533
1,301,826	3,617,369	2,741,518	3,744,709	3,888,304
2,175,747	2,244,677	2,114,246	1,905,417	2,056,340
8,772,725	8,734,458	11,064,257	9,594,988	7,201,659
1,571,570	1,396,363	1,255,708	2,660,020	1,442,000
515,464	490,091	486,787	563,568	474,521
22,100	16,113	26,847	20,261	27,468
<u>\$29,182,704</u>	<u>\$30,541,214</u>	<u>\$31,103,223</u>	<u>\$31,558,960</u>	<u>\$27,354,366</u>
<u>\$ (1,410,152)</u>	<u>\$ (3,012,588)</u>	<u>\$ (2,116,605)</u>	<u>\$ (7,452,819)</u>	<u>\$ (4,392,800)</u>
\$ -	\$ -	\$ -	\$ -	\$ 895,000
-	-	-	-	(870,385)
2,775,000	1,280,000	2,253,000	1,586,128	6,121,896
(16,317)	-	13,855	-	-
-	153,000	-	-	-
1,494,141	1,808,784	1,979,733	8,499,176	1,760,819
(1,591,141)	(1,838,580)	(1,985,945)	(8,440,525)	(2,551,856)
<u>\$ 2,661,683</u>	<u>\$ 1,403,204</u>	<u>\$ 2,260,643</u>	<u>\$ 1,644,779</u>	<u>\$ 5,355,474</u>
<u>\$ 1,251,531</u>	<u>\$ (1,609,384)</u>	<u>\$ 144,038</u>	<u>\$ (5,808,040)</u>	<u>\$ 962,674</u>
<u>10.33%</u>	<u>8.56%</u>	<u>9.02%</u>	<u>14.54%</u>	<u>9.51%</u>

CITY OF MASON CITY, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies & Credits</u>	<u>Bank Franchise Tax</u>
2009	\$10,595,874	\$1,293,624	\$20,090	\$ -	\$ -
2008	9,991,874	1,549,165	17,051	-	-
2007	9,509,934	1,539,641	16,878	-	-
2006	8,441,105	1,324,877	16,416	-	-
2005	7,764,803	1,344,795	16,555	-	12,883
2004	7,821,949	1,299,624	19,350	-	72,000
2003	7,588,119	1,309,583	19,702	9,869	20,628
2002	7,415,453	1,250,365	20,034	10,396	30,554
2001	7,294,139	1,253,212	17,023	10,853	32,960
2000	6,969,773	1,301,360	17,880	10,884	27,965

<u>Fiscal Year</u>	<u>Hotel/ Motel Tax</u>	<u>Personal Property Replacement Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
2009	\$439,464	\$ -	\$186,493	\$2,458,596	\$14,994,141
2008	333,278	-	186,316	2,797,987	14,875,671
2007	303,510	-	184,216	2,430,608	13,984,787
2006	308,951	-	159,226	2,258,668	12,509,243
2005	288,301	-	161,992	1,976,896	11,566,225
2004	299,046	-	171,678	2,948,279	12,631,926
2003	282,093	176,219	211,951	2,186,902	11,805,066
2002	232,947	185,670	207,237	2,125,411	11,478,067
2001	216,012	193,829	209,489 (2)	1,855,121	11,082,638
2000	227,358	194,388	-	1,982,339	10,731,947

(1) Includes General, Special Revenue and Debt Service Funds

(2) First year of tax

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
2008	2009	\$1,073,694,584	\$357,754,516	\$123,274,907	\$7,445,461
2007	2008	1,059,165,761	334,628,381	118,779,067	7,401,777
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559
2005	2006	883,697,384	321,964,594	105,003,491	5,666,734
2004	2005	867,499,879	311,548,936	103,881,782	5,498,615
2003	2004	790,087,827	306,387,381	99,802,422	5,542,014
2002	2003	777,136,361	293,473,167	97,666,712	6,533,109
2001	2002	766,841,430	276,169,772	107,559,015	6,217,411
2000	2001	752,443,729	247,073,218	116,591,771	6,230,390
1999	2000	704,563,723	240,801,080	122,522,203	6,281,957

(1) State mandated rollbacks have been applied to each class of property

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1)</u>	<u>Total Direct Tax Rate</u>
\$38,557,472	\$1,600,726,940	\$1,016,064,811	12.80116
38,557,472	1,558,532,458	964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642
33,420,085	1,349,752,288	869,786,552	11.63721
31,674,231	1,320,103,443	868,622,941	10.55109
32,546,117	1,234,365,761	829,968,057	10.46693
35,492,451	1,210,301,800	832,515,610	10.24691
34,542,151	1,191,329,779	814,538,602	10.09507
34,542,151	1,156,881,259	827,800,747	10.11793
34,724,735	1,108,893,698	787,616,257	10.08216

CITY OF MASON CITY, IOWA
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

REGULAR DISTRICTS

Fiscal Year	CITY OF MASON CITY			
	Operating Millage	Debt Service Millage	Retirement Millage	Total City Millage
2009	8.83574	1.52791	2.43751	12.80116
2008	8.86866	1.33259	2.46989	12.67114
2007	8.83050	1.05727	2.36865	12.25642
2006	8.66274	.88534	2.08913	11.63721
2005	8.69532	.26452	1.59125	10.55109
2004	8.82860	.59627	1.04206	10.46693
2003	8.66010	.73054	.85627	10.24691
2002	8.59876	.68841	.80790	10.09507
2001	8.58639	.75330	.77824	10.11793
2000	8.60974	1.05146	.42096	10.08216

Source: Cerro Gordo County Auditor

Note: The City's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rates for debt service and retirement are set based on each year's requirements.

See Accompanying Independent Auditor's Report.

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT			Other	Total Millage
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
5.83059	.48632	6.31691	13.67407	-	13.67407	3.00375	35.79589
5.83592	.75876	6.59468	14.08418	-	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310
5.86024	.33910	6.19934	14.71869	-	14.71869	3.00375	35.55899
5.04799	.22866	5.27665	14.11808	-	14.11808	3.00375	32.94957
4.59418	-	4.59418	13.65058	-	13.65058	3.00367	31.71536
4.59778	.10738	4.70516	14.15478	.95269	15.10747	3.00375	33.06329
4.59179	.10977	4.70156	13.30290	.93950	14.24240	3.00363	32.04266
4.82215	.32207	5.14422	12.82638	1.67361	14.49999	3.00375	32.76589
4.64182	.25671	4.89853	13.18502	1.75088	14.9359	3.00375	32.92034

CITY OF MASON CITY, IOWA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2009		Percent of Total Assessed Valuation
	Taxable Assessed Valuation	Rank	
Interstate Power Company	\$ 30,976,464	1	1.94%
Lehigh Portland Cement Company	18,196,012	2	1.14
Golden Grain Energy, Inc.	15,519,632	3	0.97
AADG, Inc.	14,882,318	4	0.93
Northwestern States Cement-Holcim. Inc.	13,363,723	5	0.83
Downtown Mall Associates	11,439,113	6	0.71
Wal-Mart	10,762,510	7	0.67
Mills Fleet Farm	10,651,904	8	0.67
Mercy Medical Center-North Iowa	9,698,158	9	0.61
Principal Mutual Life Insurance Co.	9,393,830	10	0.59
General Foods Corporation	-		-
CAG Subsidiary, Inc.	-		-
Curries Manufacturing, Inc.	-		-
Mason City Shopping Center, Ltd.	-		-
U.S. West (formerly Northwestern Bell)	-		-
Total	<u>\$144,883,664</u>		<u>9.06%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

2000		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 25,465,860	1	2.48%
24,025,167	2	2.34
-		-
-		-
20,560,995	3	2.00
7,758,750	7	0.76
-		-
-		-
-		-
8,682,442	6	0.85
16,218,261	4	1.58
9,147,606	5	0.89
5,624,608	10	0.55
6,568,658	8	0.64
5,997,915	9	0.58
<u>\$130,050,262</u>		<u>12.67%</u>

CITY OF MASON CITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Levy Year	For Fiscal Year Ended June 30,	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (1)
			Amount	Percentage of Levy	
2008	2009	\$11,901,194	\$11,527,693	96.86%	\$ -
2007	2008	11,065,910	11,091,145	100.22	618
2006	2007	10,549,474	10,551,540	100.01	100
2005	2006	9,414,330	9,410,684	99.96	946
2004	2005	8,380,157	8,369,822	99.88	984
2003	2004	8,107,644	8,103,729	99.95	2,885
2002	2003	7,745,522	7,642,524	98.67	20,295
2001	2002	7,686,241	7,465,976	97.13	4,152
2000	2001	7,378,494	7,379,311	100.01	3,842
1999	2000	6,939,874	7,012,010	101.04	23,875

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$11,527,693	96.86%
11,094,763	100.26
10,551,640	100.02
9,411,630	99.97
8,370,806	99.89
8,106,611	99.99
7,662,819	98.93
7,470,128	97.19
7,383,153	100.06
7,035,885	101.38

CITY OF MASON CITY, IOWA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation		Special Assessment	TIF Revenue
	Bonds	Notes	Bonds	Bonds
2009	\$14,138,132	\$ 884,958	\$ -	\$1,569,339
2008	9,776,550	1,333,671	-	1,727,044
2007	9,777,692	408,671	-	2,072,975
2006	8,153,984	500,000	-	2,401,925
2005	8,453,000	-	-	2,719,272
2004	7,140,000	-	-	3,034,980
2003	8,345,000	-	-	2,895,000
2002	5,230,000	155,000	25,000	937,000
2001	6,440,000	305,000	50,000	1,032,000
2000	6,900,000	450,000	85,000	1,117,000

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	Capital
	Bonds	Notes	Bonds	Lease
2009	\$6,236,868	\$696,052	\$26,057,827	\$ -
2008	5,903,450	410,780	18,740,604	105,480
2007	3,667,308	513,735	17,888,281	207,231
2006	3,991,016	362,596	15,429,715	305,324
2005	2,392,000	399,870	16,199,167	399,842
2004	-	495,680	16,906,970	490,990
2003	-	90,000	9,218,080	-
2002	-	120,000	4,435,000	-
2001	-	145,000	5,070,000	-
2000	-	170,000	5,675,000	-

See Accompanying Independent Auditor's Report.

<u>Lease</u>	<u>Settlement Note</u>	<u>Total</u>
\$ -	\$ -	\$16,592,429
-	-	12,837,265
-	4,889	12,264,227
64,829	31,528	11,152,266
126,867	56,125	11,355,264
186,233	75,000	10,436,213
243,043	-	11,483,043
-	-	6,347,000
4,989	-	7,831,989
18,728	-	8,570,728

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$32,990,747	\$49,583,176	4.91%	\$1,700
25,160,314	37,997,579	3.88	1,303
22,276,555	34,540,782	3.63	1,184
20,088,651	31,240,917	3.40	1,071
19,390,879	30,746,143	3.76	1,054
17,893,640	28,329,853	3.43	971
9,308,080	20,791,123	3.51	713
4,555,000	10,902,000	1.40	374
5,215,000	13,046,989	1.60	447
5,845,000	14,415,728	1.94	496

CITY OF MASON CITY, IOWA
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
 VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value(2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2009	29,172	\$1,016,064,811	\$15,023,090	\$ 267,858
2008	29,172	964,618,055	11,110,221	362,803
2007	29,172	944,867,130	10,186,363	505,025
2006	29,172	869,786,552	8,653,984	619,718
2005	29,172	868,622,941	8,453,000	769,200
2004	29,172	829,968,057	7,140,000	1,221,315
2003	29,172	832,515,610	7,890,000	2,313,361
2002	29,172	814,538,602	4,850,000	2,161,895
2001	29,172	827,800,747	6,135,000	2,062,162
2000	29,040	787,616,257	7,350,000	1,772,200

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2009	\$14,755,232	1.45%	\$505.80
2008	10,747,418	1.11	368.42
2007	9,681,338	1.02	331.87
2006	8,034,266	.92	275.41
2005	7,683,800	.88	263.40
2004	5,918,685	.71	202.89
2003	5,576,639	.67	191.16
2002	2,688,105	.33	92.15
2001	4,072,838	.49	139.61
2000	5,577,800	.71	192.07

Source:

- (1) U.S. Census Bureau
- (2) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2009

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$16,592,429	100.00%	\$16,592,429
Overlapping:			
Mason City Community			
School District	14,528,526	91.00%	13,220,959
Cerro Gordo County	11,945,000	47.84%	5,714,488
North Iowa Area Community College	<u>8,930,000</u>	-	<u>-</u>
Total	<u>\$51,995,955</u>		<u>\$35,527,876</u>

Source: Information provided by individual unit.

(1) Excluding general obligation debt reported in the Enterprise Funds

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt limit	\$80,036,347	\$77,926,623	\$74,094,419	\$67,487,614
Total net debt applicable to limit	<u>23,206,321</u>	<u>15,643,215</u>	<u>15,926,646</u>	<u>15,111,754</u>
Legal debt margin	<u>\$56,830,026</u>	<u>\$62,283,408</u>	<u>\$58,167,773</u>	<u>\$52,375,860</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>28.99%</u>	<u>20.07%</u>	<u>21.50%</u>	<u>22.39%</u>

Legal Debt Margin Calculation for Fiscal Year 2009

Actual assessed valuation:	
Real property	\$1,562,169,468
Utilities	<u>38,557,472</u>
Total actual assessed valuation	<u>\$1,600,726,940</u>
Debt limit - 5% of actual valuation	\$ 80,036,347
Total net debt applicable to limit	<u>23,206,321</u>
Legal debt margin	<u>\$ 56,830,026</u>

See Accompanying Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$67,400,322	\$66,048,766	\$56,120,090	\$60,538,444	\$57,844,063	\$55,444,685
<u>13,751,129</u>	<u>10,361,213</u>	<u>11,483,043</u>	<u>4,850,000</u>	<u>6,135,000</u>	<u>7,350,000</u>
<u>\$53,649,193</u>	<u>\$55,687,553</u>	<u>\$44,637,047</u>	<u>\$55,688,444</u>	<u>\$51,709,063</u>	<u>\$48,094,685</u>
 <u>20.40%</u>	 <u>15.69%</u>	 <u>20.46%</u>	 <u>8.01%</u>	 <u>10.61%</u>	 <u>13.26%</u>

CITY OF MASON CITY, IOWA
 PLEDGED REVENUE COVERAGE - SEWER
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2009	\$4,442,190	\$1,908,966	\$2,533,224
2008	3,173,779	1,786,007	1,387,772
2007	2,673,287	1,814,148	859,139
2006	2,412,484	1,759,738	652,746
2005	2,311,231	1,660,486	650,745
2004	2,014,835	1,491,459	523,376
2003	2,125,686	1,520,466	605,220
2002	2,077,256	1,285,030	792,226
2001	2,099,338	1,231,672	867,666
2000	2,188,815	1,321,564	867,251

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	\$690,000	\$169,170	\$859,170	2.95
2008	450,000	119,760	569,760	2.43
2007	455,000	117,276	572,276	1.50
2006	340,000	97,755	437,755	1.49
2005	330,000	127,679	457,679	1.42
2004	310,000	142,511	452,511	1.16
2003	295,000	156,546	451,546	1.34
2002	280,000	169,859	449,859	1.76
2001	265,000	182,450	447,450	1.94
2000	260,000	193,780	453,780	1.91

(1) Total operating expenses exclusive of depreciation.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 PLEDGED REVENUE COVERAGE - WATER
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2009	\$4,950,216	\$3,145,518	\$1,804,698
2008	4,889,040	3,065,967	1,823,073
2007	4,781,241	3,063,093	1,718,148
2006	4,214,116	2,837,049	1,377,067
2005	4,069,839	2,534,220	1,535,619
2004	3,542,206	2,178,226	1,363,980
2003	2,991,747	1,855,372	1,136,375
2002	2,381,344	1,810,814	570,530
2001	2,338,206	1,629,477	708,729
2000	2,430,550	1,652,308	778,242

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	\$ 915,000	\$491,288	\$1,406,288	1.28
2008	775,000	502,103	1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44
2006	693,000	426,008	1,119,008	1.23
2005	1,088,000	457,617	1,545,617	0.99
2004	1,049,000	379,007	1,428,007	0.96
2003	375,000	88,206	463,206	2.45
2002	355,000	85,510	440,510	1.30
2001	340,000	103,870	443,870	1.60
2000	320,000	119,295	439,295	1.77

(1) Total operating expenses exclusive of depreciation and amortization.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2009	29,172	\$1,010,401	\$34,636	42.40	3,649	5.4
2008	29,172	980,850	33,623	41.70	3,969	3.5
2007	29,172	951,824	32,628	42.20	4,102	3.3
2006	29,172	919,326	31,514	39.30	4,103	4.1
2005	29,172	831,023	28,487	41.55	4,241	4.8
2004	29,172	896,951	30,747	41.13	4,298	3.9
2003	29,172	807,481	27,680	40.30	4,357	3.5
2002	29,172	777,025	26,636	39.30	4,455	3.6
2001	29,172	817,516	28,024	39.52	4,482	2.7
2000	29,040	744,789	25,647	39.16	4,482	2.6

Source: (1) U.S. Census Bureau decennial census
(2) Department of Economic Development, State Demographer
(3) Mason City Community School District
(4) Iowa Workforce Development

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2009		Percent of Total City Employment
	Employees	Rank	
Mercy Medical Center - North IA	2,730	1	18.62%
Curries Manufacturing Company	690	2	4.71
Mason City Community School District	603	3	4.11
Principal Life Insurance Co.	525	4	3.58
Woodharbor Molding & Millwork	500	5	3.41
City of Mason City	347	6	2.37
North Iowa Area Community College	330	7	2.25
Graham Manufacturing	260	8	1.77
Armour Food Co.	257	9	1.75
Kraft Foods	250	10	1.71
Total	<u>6,492</u>		<u>44.28%</u>

Source: Mason City Economic Development Commission
Mason City Chamber of Commerce

(1) Information not available

See Accompanying Independent Auditor's Report.

2000		
<u>Employees</u> (1)	<u>Rank</u>	Percent of Total City <u>Employment</u> (1)
-	1	-
-	2	-
-	3	-
-	6	-
-	-	-
-	13	-
-	-	-
-	9	-
-	10	-
-	-	-
<u>-</u>		<u>-</u>
<u>-</u>		<u>-</u>

CITY OF MASON CITY, IOWA
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public safety:					
Police - sworn	48	45	48	50	47
Police - civilian	2	4	10	9	15
Fire - sworn	44	44	44	44	44
Fire - civilian	2	2	2	1	1
Building inspection	3	3	3	3	3
Plumbing/electrical inspection	1	2	2	2	2
Public works:					
Airport	5	5	5	6	5
Street	22	21	21	21	20
Arborist	1	1	1	1	1
Engineer	7	7	5	7	7
Health and social services:					
Youth Task Force	5	4	4	3	3
Health	1	1	1	1	1
Human Rights	3	2	2	2	2
Culture and recreation:					
Parks	6	7	7	7	7
Recreation	4	4	4	4	4
Library	15	15	14	14	13
Museum	7	7	7	6	5
Community and economic development:					
Neighborhood Services	2	2	3	3	3
Growth Development and Planning	3	3	1	3	4
Transit	17	14	15	14	14
General government:					
Administrator	2	2	2	2	2
Mayor	-	-	-	-	-
Finance	11	11	8	7	7
Clerk	2	2	2	3	3
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	19	22	21	22
Sewer	16	16	17	17	17
Sanitation	11	12	12	12	12
Cemetery	3	3	3	3	3
Golf course	<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total	<u>266</u>	<u>263</u>	<u>269</u>	<u>277</u>	<u>277</u>

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
49	47	45	43	43
16	12	13	15	15
43	36	34	34	34
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2
4	4	5	5	5
20	21	20	19	21
1	1	1	1	1
6	8	8	8	6
3	3	3	3	2
1	1	1	1	1
2	2	2	2	2
7	6	7	7	7
4	4	4	4	4
13	13	13	14	13
6	6	6	6	6
1	3	-	-	-
4	4	3	3	4
17	17	17	17	17
2	2	1	1	2
1	1	1	1	1
5	5	5	5	5
3	3	3	3	3
1	1	1	1	1
2	2	2	2	1
19	21	21	21	22
16	17	17	17	16
12	11	12	12	12
3	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>274</u>	<u>267</u>	<u>261</u>	<u>259</u>	<u>260</u>

CITY OF MASON CITY, IOWA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police:					
Physical arrests	4,129	3,049	3,373	3,309	3,551
Parking violations	5,885	7,560	4,328	3,870	4,041
Traffic violations	3,117	5,952	6,502	4,463	2,686
Fire:					
Fire calls answered	762	766	746	779	772
Ambulance calls answered	3,912	4,032	4,138	4,374	3,420
Inspections	1,216	1,025	600	373	781
Highways and streets:					
Street resurfacing (miles)	2.60	3.04	5.59	4.22	3.41
Potholes repaired	5,000	5,000	5,000	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	24.1	27.5	25.4	26.2	25.9
Recyclables collected (tons/day)	4.9	5.5	5.5	5.7	5.9
Culture and recreation:					
Aquatic Center admissions	39,074	39,726	51,751	54,997	58,951
Water:					
New connections	21	3	15	10	1
Water main breaks	11	10	11	8	10
Average daily consumption (thousands of gallons)	5,865	5,673	5,784	5,819	5,869
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,658	7,421	7,040	6,637	6,618

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
3,362	3,190	3,247	2,773	2,635
5,827	6,180	7,089	9,130	8,780
3,478	2,990	3,928	3,348	3,460
842	1,070	1,096	1,168	1,133
310	-	-	-	-
673	1,097	2,004	1,560	2,342
2.71	2.24	3.93	0.91	2.13
5,000	5,000	5,000	5,000	5,000
25.6	25.1	24.7	29.8	24.7
6.0	6.0	5.9	5.9	5.9
42,484	75,846	25,929	34,561	40,041
8	7	7	6	8
14	17	10	12	24
5,571	4,964	5,003	4,946	5,307
5,433	5,832	5,127	7,208	7,964

CITY OF MASON CITY, IOWA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.06	151.93	151.93	151.69	150.78
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,760	1,760	1,760	1,750	1,744
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	47.95	47.95	47.95	46.91	46.44
Sanitary	164.31	164.31	160.92	159.84	159.05
Cemetery:					
Facilities	1	1	1	1	1
Acreage	120	120	120	120	100

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
1	1	1	1	1
1	1	1	1	1
148.12	148.12	148.12	147.70	145.80
41.80	41.80	41.80	42.12	43.29
1,714	1,714	1,694	1,692	1,681
41	41	40	39	38
639	639	580	550	550
12	12	12	13	13
12	12	13	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
46.26	46.26	46.32	46.26	44.95
158.30	158.30	158.36	158.30	156.80
1	1	1	1	1
100	100	100	100	100

**COMPLIANCE
SECTION**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City of Mason City's basic financial statements and have issued my report thereon dated January 8, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Mason City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mason City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Mason City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies 09-II-A and 09-II-B, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mason City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompany Schedule of Findings and Questioned Costs.

The City of Mason City's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the City's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, management and citizens of the City of Mason City and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mason City, Iowa, during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



January 8, 2010

(except for Note 19 to the financial statements,
as to which the date is March 28, 2010)

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

Compliance

I have audited the compliance of the City of Mason City with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mason City's management. My responsibility is to express an opinion on the City of Mason City's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mason City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Mason City's compliance with those requirements.

In my opinion, the City of Mason City complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Mason City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I consider item 09-III-A of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City of Mason City's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Mason City's response and, accordingly, I express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, management and citizens of the City of Mason City and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



January 8, 2010

(except for Note 5 to the schedule of Expenditures of Federal Awards,
as to which the date is March 28, 2010)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
DIRECT:			
<u>Department of Housing and Urban Development</u>			
Fair Housing Assistance Program - State and Local			
Contributions and Training	14.401	FF207K087002	\$ 38,440
Contributions and Training	14.401	FF207K097002	
Total			<u>\$ 38,440</u>
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2008	\$ 6,000
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2008-CK-WX-0097	25,033
Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0229	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Granted to Units of Local Government	16.804	2009-SB-B9-1946	-
Total			<u>\$ 31,033</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-24-2005	\$ 6,329
Airport Improvement Program	20.106	3-19-0059-25-2005	(3,345)
Airport Improvement Program	20.106	3-19-0059-26-2008	32,155
Airport Improvement Program	20.106	3-19-0059-27-2008	3,797
Airport Improvement Program	20.106	3-19-0059-28-2009	352,930
Airport Improvement Program	20.106	3-19-0059-29-2009	77,920
Airport Improvement Program	20.106	3-19-0059-30-2009	722,713
Airport Improvement Program	20.106	3-19-0059-31-2009	262,384
Airport Improvement Program	20.106	3-19-0059-32-2009	-
Airport Improvement Program	20.106	3-19-0059-33-2009	144,087
Passenger Facility Charge			39,510
Total			<u>\$1,638,480</u>
<u>Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.202	XP-98782501	\$ -
Congressionally Mandated Projects	66.202	XP-97702101	270,810
			<u>\$ 270,810</u>
<u>Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1 H79 SP015490-01	\$ 31,181
Drug Free Communities Support Program	93.276	5 H79 SP011332-05	67,854
Drug Free Communities Support Program	93.276	5 H79 SP011332-04	45,133
Drug Free Communities Support Program	93.276	5 H79 SP013971-02	16,300
Total			<u>\$ 160,468</u>
<u>Department of Homeland Security</u>			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST50208HSLR204	\$ 23,263
Total direct			<u>\$2,162,494</u>

(continued)

CITY OF MASON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	08-HSG-061	\$ 122,392
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-031	-
Flood Buyout #2	14.228	08-DRMH-032	-
Home Investment Partnership Program	14.239	07-HM-110-69	47,172
Total			<u>\$ 169,564</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Public Safety Partnership and Community Policing	16.710	08-HOTPOTS-12	\$ 2,964
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG-C03	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG/C06-A18	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	08JAG/C06-A17	47,033
Total			<u>\$ 49,997</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant	16.588	VW-08-46	\$ -
Federal Violence Against Women Formula Grant	16.588	VW-09-46	15,069
Total			<u>\$ 15,069</u>
Total			<u>\$ 65,066</u>
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
Transportation Enhancement	20.205	03-STPE-126	\$ 22,154
Safe Routes to Schools	20.205	07-SRTS-008	36,309
ICAAP - 19 th Street Overpass	20.205	2-07-ICAAP-006	1,134,981
19 th Street Overpass Approach	20.205	02-08-HDP-015	1,078,000
Federal Transit - Capital Investment Grant			
Capital Assistance	20.500	04-0113-482-08	103,651
Formula Grants for Other than Urbanized Areas			
Capital Assistance	20.509	18-0028-482-07	9,378
Operating Assistance	20.509	18-0028-482-08	-
Operating Assistance	20.509	18-0028-482-09	301,997
ARRA - Capital Assistance	20.509	86-0001-482-09	-
Total			<u>\$2,686,470</u>
<u>Iowa Department of Public Safety</u>			
<u>Governor's Traffic Safety Bureau</u>			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-08-04	\$ 3,385
Police Traffic Services	20.600	PAP-09-04	4,929
Total			<u>\$ 8,314</u>
Total			<u>\$2,694,784</u>

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership			
Agreements			
Operating Support	45.025	2009-6653	\$ 16,000
Environmental Protection Agency:			
<u>Iowa Finance Authority</u>			
Capitalization Grants for Clean			
Water State Revolving Funds	66.458	PDCW0666	\$ 5,228,361
Department of Education:			
<u>Iowa Department of Public Health</u>			
Safe and Drug Free Schools and Communities	84.186	5888DV09	\$ -
Safe and Drug Free Schools and Communities	84.186	5889DV09	55,232
Total			<u>\$ 55,232</u>
Department of Homeland Security:			
<u>Iowa Homeland Security and Emergency</u>			
<u>Management Division</u>			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	DR #1763	\$ 1,089,298
Hazard Mitigation Grant	97.039	HMGP-DR-1763-	
		0032-01	7,518
Hazard Mitigation Grant	97.039	HMGP-DR-1763-	
		0031-01	-
Predisaster Mitigation	97.047	PDMC-PJ-07-IA-	
		2007-0050	347,985
Total			<u>\$ 1,444,801</u>
Total indirect			<u>\$ 9,673,808</u>
Total expenditures of federal awards			<u>\$11,836,302</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	10477	\$ -
Commercial Air Service Vertical Infrastructure Program	9650	<u>35,045</u>
Total Expenditures for State Awards		<u>\$ 35,045</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mason City, Iowa. The City of Mason City reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 2 to the City's general purpose financial statements.

(3) Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the City's general purpose financial statements as follows:

	Operating Grants	Capital Grants	Loan Proceeds	Total
General Fund	\$1,458,997	\$1,222,220	\$ -	\$ 2,681,217
Special Revenue Funds:				
ADDI	-	47,593	-	47,593
Road Use Tax	77,527	-	-	77,527
City Administered Grants	83,365	-	-	83,365
Housing	122,712	-	-	122,712
HMGP	-	10,024	-	10,024
Capital Project Funds:				
19 th Street SW Overpass	-	2,712,981	-	2,712,981
Local Option Capital Improvements	-	573,243	-	573,243
Enterprise Funds:				
Water	198,056	-	-	198,056
Sewer	197,018	270,810	5,228,361	5,696,189
Solid Waste	188,926	-	-	188,926
Golf Course	695	-	-	695
	<u>\$2,327,296</u>	<u>\$4,836,871</u>	<u>\$5,228,361</u>	<u>\$12,392,528</u>

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

(5) Changes to Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards has been changed as of March 28, 2010, to reflect the expenditures related to the Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458, a major program, that were not included in the original report. It has been determined that audit procedures performed as of January 8, 2010, were sufficient to form an opinion on compliance with this grant program.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) Two material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (e) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (f) The programs tested as the major programs are:
 - CFDA Number 20.205 - Highway Planning and Construction
 - CFDA Number 20.509 - Formula Grants for Other than Urbanized Areas
 - CFDA Number 66.202 - Congressionally Mandated Projects
 - CFDA Number 66.458 - Capitalization Grants for Clean Water State Revolving Funds
 - CFDA Number 97.036 - Disaster Grants - Public Assistance
 - CFDA Number 97.047 - Pre-Disaster Mitigation (PDM) Competitive Grants
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) The City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

There were no prior year or current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

- 09-II-A Determination of Accounts and Contracts Payable - At the end of each fiscal year, finance department interns determine the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2009, they recognized over \$3,223,000 of accounts and contracts payable, including approximately \$85,000 incorrectly recorded as payables. However, they did not recognize an additional \$1,255,000 of mostly contracts payable at June 30, 2009.

Recommendation - The interns should be instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year. I would suggest that a written process be developed for the interns to use to determine when a payable should be recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements: (continued)

INSTANCES OF NONCOMPLIANCE:

Response - We will be providing additional guidance to the interns and investigating the development of flow charts or materials to assist the interns in determining the appropriate classification at year end. These additional materials will be added to the written documents already included as part of the intern processes.

Conclusion - Response accepted.

09-II-B Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - The initial determination of the financial statement classifications and amounts is determined by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

MATERIAL WEAKNESSES:

ALL GRANTS:

09-III-A See items 09-II-A and 09-II-B above.

Part IV: Other Findings Related to Required Statutory Reporting:

09-IV-A Official Depositories - A resolution naming official depositories has been adopted by the City Council. However, it was noted that two depositories were omitted from the resolution.

Recommendation - The City should review the depository resolution at least annually to ensure that all City depositories are included in the adopted depository resolutions.

Response - This was an oversight in January, 2009. An updated depository resolution has been passed and approved on October 6, 2009.

Conclusion - Response accepted.

09-IV-B Certified Budget - Disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

- 09-IV-C Questionable Disbursements - No expenditures that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 09-IV-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 09-IV-E Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cameron Sarjeant, Human Rights Commission - owner, Sarjeant's Systems	Professional services	\$ 70
Dave Hopper, River City TREES - owner, Natural Plus	Trees & landscaping	202
Jenny Thada, Cemetery Board	Supplies	212
Amy Simpson, Human Rights Department - employee	Transcriptions & supplies	299
Dan Linahon, Electrical Appeals Board - partner, Linahon Electric	Electrical services	370
Don Lee, River City TREES	Tilling	407
Dave Olson, City employee - DK Olson Excavating	Excavation services	409
Pat McGarvey, Library Board	Central Park beautification	555
Phyllis Mulkey, Youth Task Force	Youth Task Force volunteer stipend	700
John Pappas, River City TREES - owner, Pappas Landscaping	Grounds maintenance	915
Craig MacDougall, Plumbing Examiners Board - owner, Hank's Plumbing	Plumbing repairs	1,722
Jay Leaman, Electrical Appeals Board - owner, The Electricians	Electrical services	2,053
Mary Hardin, River City TREES - owner, Blackmore Nursery	Landscaping	2,165
Craig Gray, Plumbing Examiners Board - owner, Gray's Plumbing	Plumbing repairs	6,256
Reed Wessman, Historic Preservation Overlay Commission - partner, Waggoner and Associates	Animal shelter services	\$ 6,730

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kris Kramer, Enterprise Zone Commission - owner, Kramer Ace Hardware	Parts & supplies	6,929
John Jaszewski, City Council - owner, Jay Square Videography	Services & supplies	8,007
Daniel Moorehead, Electrical Appeals Board - owner, Moorehead Electric	Electrical repairs	11,157
Scot Smed, Housing Advisory and Appeals Board - partner, Bergland & Cram	Architectural services	21,450
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	26,452
Doug Wiltse, Electrical Examiners Board - vice-president, Blazek Electric	Electrical supplies and services	54,089
Jennifer Raemaker, Housing Advisory and Appeals Board - insurance agent, Edwards-Brant Insurance	Insurance	55,905
Randi Thomas, Electrical Examiners Board - partner, Thomas Electric	Electrical services and supplies	68,315
Steve Clausen, Plumbing Examiners Board - owner, Clausen Plumbing	Plumbing repairs and supplies	144,922
Terry McCarthy, Human Rights Commission, and Monte Applegate, Park and Recreation Board members - partners, Yaggy Colby Associates	Engineering services	178,242
Larry Elwood, Plumbing Appeals Board and Enterprise Zone Commission - owner, Larry Elwood Construction	Construction services	265,204
Roger Bang, Mayor - insurance agent, 1 st Insurance	Insurance	401,892
Fouad Daoud, Building Advisory and Appeals Board - partner, WHKS and Co.	Engineering services	996,553
George Jessin, Zoning Board of Adjustment - owner, Heartland Asphalt	Road construction	2,575,907

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

In accordance with Chapter 362.5(10) of the Code of Iowa, the first ten transactions do not appear to represent a conflict of interest since the transactions were less than \$1,500 during the fiscal year.

All or significant amounts of the payments to Larry Elwood Construction, Yaggy Colby Associates, 1st Insurance, WHKS and Co., Heartland Asphalt, Bergland and Cram, Blazek Electric, Gray's Plumbing, Linahon Electric, Thomas Electric, Clausen Plumbing and Edwards-Brant Insurance were competitively bid and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

09-IV-F Related Party Purchase Discrepancies - City purchasing policy requires department heads to obtain competitive bids (to include publication of a request for bids, description of the item being sought and a public opening and award of bids) for all annual cumulative purchase from a City employee, official or member of a board or commission exceeding \$1,500. Department heads are not aware of this policy and are not complying with the policy.

Recommendation - The policy should be reviewed to determine if this is the policy that the City actually wishes to enforce. The policy requires department heads to know the extent of purchases from a related party and would essentially require publication and taking of bids for purchases of minimal amounts.

Response - We are presently reviewing the policy to determine the extent of restrictions desired by the council.

Conclusion - Response accepted.

09-IV-G Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-IV-H Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy, except as noted at 09-IV-A.

09-IV-I Internal Services Fund Deficit - The Central Services Internal Services Fund has had losses for six of the last eleven years totaling over \$165,000. The fund has a deficit net asset balance in excess of \$31,000.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Recommendation - Additional progress needs to be made in the effort to make the Central Services Internal Services Fund self-sufficient. The charges for services exceeded all costs of the fund in the current year, whereas, in three of the previous eight years, the fund has either not covered or barely covered the cost of personal services. The internal services fund needs to be competitive with commercial businesses as City departments have the option of contracting with outside vendors for a lower cost. An internal services fund needs to generate a profit so that it can continue to purchase replacement equipment without a subsidy from the general operations of the City.

Response - We are implementing a rate increase and studying ways to increase the efficiency of the department to eliminate the deficit.

Conclusion - Response accepted.

09-IV-J Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

09-IV-K Water Billing Shortages - A multi-year analysis of water pumped from the water distribution center versus water billed shows that a significant amount of water pumped is not being billed. Water may not be billed for a number of reasons, including water used for firefighting, line flushing, certain municipal processes, line leaks, etc. An acceptable unbilled percentage of water pumped is in the 15% range. The percentage of water billed has steadily decreased from 81% in FYE 1996 to 71% in FYE 2004. The percentages billed in 2005 and 2006 were 59% and 56%, respectively. These were the years when major improvements were being done to the water distribution system. All of the construction and testing were completed prior to the 2009 fiscal year. During FYE 2007, 2008 and 2009, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63% and 59% of the water pumped from the water distribution plant was actually billed, respectively.

Recommendation - The City should investigate the calculation of water pumped to determine that it is being accurately measured. The City should also review its billing process to determine that all customers are being billed. Gallons of water billed has decreased approximately 13% since FY 2003, at the same time that gallons of water pumped have increased approximately 11%.

Response - We have requested, in the capital improvements budget, the purchase of eight leak detection transducers along with necessary training to identify leaks on unmetered service lines. We have not performed a leak detection of these small lines in a number of years.

Conclusion - Response accepted.

09-IV-L Inclusion of Items in Inventory - Items of inventory (valves and meters) were not included in the water department year end inventory. The items had been purchased for a non-inventory account or there was uncertainty as to whether the items should be included in inventory.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Recommendation - The City should develop a written policy that specifies when items are to be charged out of inventory to a different expense category. The City should also develop a process to recognize the cost of new and replacement meters.

Response - We will meet with the individuals responsible for recording and allocating costs and determine appropriate procedures for accurately recording inventory at year end.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
 Corrective Action Plan for Federal Audit Findings
 Year Ended June 30, 2009

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
09-II-A	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2010
09-II-B	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2010
09-III-A	See items 09-II-A and 09-II-B above			

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

FINANCIAL STATEMENTS

Finding 08-II-A: Determination of Accounts and Contracts Payable

Condition - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist the interns in arriving at a materially correct number for these items.

Current Status - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

Finding 08-II-B: Financial Statement Classification and Valuation

Condition - Material adjusting journal entries were required to properly classify and value financial statement amounts.

Recommendation - Additional instruction and supervision of the interns by the Director of Finance would reduce the number and amount of misstatements.

Current Status - Additional oversight was provided this year, but additional supervision and oversight is required.

Douglas E. Kronlage

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CERTIFICATION OF CONTRACTING OPPORTUNITIES

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

I have audited the contracting opportunities and DBE/WBE participation summary of the City of Mason City, Iowa, Transit System. My audit of details reported included tests of accounting records, purchase orders, and contracts issued to DBE and WBE firms as I considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a DBE or WBE, since the Iowa Department of Transportation assumes this responsibility. Yet, tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

Douglas E. Kronlage

January 8, 2010